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Commentary on Postponement of Chernomyrdin Visit to Poland

954K0306A Moscow KOMMERSANT-DAILY in Russian
3 Nov 94 p 1

[Article by Viktor Zamyatin and Svetlana Sukhova:
"Much Ado on All Saints Day: Chernomyrdin Visit Canceled"]

[FBIS Translated Text] According to an announcement from the Russian Ministry of Foreign Affairs (MID), yesterday a letter to Andrey Kozyrev from his Polish colleague, Andrzej Olechowski, finally found its addressee in Damascus. According to KOMMERSANT's information, the head of the Polish MID informed him in his letter that an investigation is under way into the beating and arrest of Russian citizens on 23 October at the Warsaw-East train station, in which the Ministry of Internal Affairs will participate, and that according to all legal norms, until that investigation is concluded, there is scarcely any point in expecting official apologies or punishment of the guilty parties. According to KOMMERSANT's information, the MID received the letter on Tuesday at 2130, approximately a half hour after the "ITA-Novosti" television show reported the cancellation of Viktor Chernomyrdin's visit to Poland. By the way, in fact it was merely a matter of postponement, not cancellation, as the premier himself confirmed yesterday: "We will agree on a date for my visit."

The premier's visit to Warsaw has had an unhappy fate: It was supposed to take place in May, but it was postponed, among other reasons due to Viktor Stepanovich's ill health. At Poland's Moscow diplomatic representation, our KOMMERSANT correspondent was informed that in the story of this new postponement of the visit "a whole set of factors had taken their toll, among them the fact that neither side was prepared for it."

Meanwhile, according to information received by KOMMERSANT from the Ministry of Foreign Economic Relations (MVES), Gazprom AO (joint-stock company), as well as members of the Russian section of the intergovernmental commission preparing for Chernomyrdin's visit, virtually all the documents for the Polish trip had been fully agreed upon, and some had even been initialed, for example, on Russian debts (by the way, they were supposed to have been signed by the department heads; the premier himself had planned to sign only the joint declaration and the protocol "On the Division of Powers"). Moreover, independent of the visit, the construction of a gas pipeline (the main subject of the talks) is already under way, and right now Russian experts are still at work in Poland, refining the details connected with financing the gas project (which was prepared by Gazprom chief Rem Vyakhirev).

At the MID, our KOMMERSANT correspondent was informed that on Tuesday they waited all day for a reply to a note handed to Poland's Ambassador Stanislaw Ciosek last week. It never came. On Tuesday evening Deputy Minister Sergey Krylov delivered a statement to the provisional Polish charge d'affaires, Agnieszka Magdzyak-Mishevskaya. By the way, an instance of tyranny like the one that occurred at the train station is not unique: In the summer a note of protest was sent to the Polish MID about

the increasingly frequent robberies of Russians even in downtown Warsaw. The MID termed the opinion that Moscow was merely looking for an excuse to cancel the visit (so say the Polish SMI [no expansion provided]) "childish prattle." The MID stated specifically that the visit was disadvantageous to certain circles in Poland—in light of the complicated situation that has come about there: Power structures are in conflict (parliament has already accused Lech Walesa of exceeding his authority, and MID chief Olechowski is hanging by a thread), and Chernomyrdin's visit, which would have put a fine point on the dispute over the country's foreign policy orientation (West or East?), actually came at a bad time for the Poles. This point of view is shared by Foreign Economic Relations Minister Oleg Davydov, who emphasized in a conversation with a KOMMERSANT correspondent that a political game has unfolded in Poland: According to him, the Poles cannot define themselves. "They want to orient themselves toward the West and stand in the corridor, whereas we are offering them a seat at the negotiating table." In this connection, the minister did not exclude the possibility of the action involving the beating of Russian citizens at the Warsaw-East train station having been arranged.

KOMMERSANT was unable to ascertain the opinion of Boris Yeltsin. Yesterday evening, however, the president signed an edict "On Measures in the Event of Extraordinary Situations Arising for the Activities of Foreign Institutions of the Russian Federation and for Russian Citizens Situated Abroad," which closed the discussion on his reasons for postponing the visit. In fact, the Russian authorities have never been overly concerned with the fate of our compatriots abroad—unlike the United States, which has expressed many times its readiness to come to the assistance of any citizen, even if it means calling in the Marines (as in the instance of the hostages in Lebanon). Thus, a precedent has been created. Meanwhile, time has been bought to clarify the details of the gas contract, which, by the way, is just as advantageous to the Poles as it is to the Russians (as both sides feel). KOMMERSANT was assured at the Polish Embassy that the guilty parties in the incident will be punished. Events caught the Poles off guard—it was All Saints Day.

[Box, p 1]

Commentary

Viktor Chernomyrdin's decision not to go to Warsaw is hard to call surprising. What would have been surprising is the reverse—if after the Warsaw incident the premier had decided to go anyway. If in response to accusations over this unfriendly act the Polish side does not offer either apologies or explanations, then the next step is more likely to be lowering the level of diplomatic relations—not an official visit by the head of the government. The Warsaw incident is the crudest insult inflicted on Russia since it entered the international arena. Citizens of Russia, passengers on train no. 15, were, first of all, deprived of the protection unconditionally due to them from criminal attacks and, secondly, they were crudely assaulted by official agents of the Polish state. Swallowing the Warsaw incident would mean de facto rejecting the state's most basic function, which is to safeguard its citizens, and

would unambiguously place Russia in the same rank with the poorest countries of Africa.

Naturally, acting in this manner would mean yielding a sure-fire trump to the opposition, which the government can scarcely allow itself given the current political situation. But the Chernomyrdin gesture is especially appropriate in connection with the characteristics of the opposition's world view, which consists of seeing Russians' humiliation primarily in geopolitical collisions (Haiti, Iraq, Bosnia) that the overwhelming majority of Russia's citizens do not care about at all. On the other hand, the opposition pays no particular attention to collisions such as the unmitigated boorishness encountered in the consular offices of the U.S. Embassy and other powers or this Warsaw incident, which you would think would be most offensive to the national honor and which directly affect the interests of a much greater number of citizens.

By their appropriate reaction to the behavior of the Polish authorities, the MID and the prime minister have managed to ward off a maneuver by the democratic opposition and to demonstrate that the irreconcilable opposition's national sensitivity bears a one-sided character: It is offended for its Serbian brothers but not for natural Russian citizens. Here, imitating America, which does not like foreign boorishness toward its own citizens, would be more appropriate.

Duma Deputy Assesses U.S. Cuban Policy

954F0279A Moscow NEZAVISIMAYA GAZETA
in Russian 2 Nov 94 p 2

[Article by Galina Chubkova, doctor of sociological sciences, professor, and State Duma deputy (Women of Russia faction): "Cuba, My Love?! Our Place at the Cuban Table Is Empty"]

[FBIS Translated Text] The discussion of human rights and freedoms in Cuba has never stood still. Most often, it has been initiated from outside. The migration of Cubans, which began during the summer of this year, served as a new stimulus for it. The pages of the world's press were filled with reports that thousands of refugees from the island were crossing the Gulf of Florida in boats and on rafts. As early as August, more than 7,000 Cubans had left Cuba.

They are fleeing, they say in Cuba, because they are not patriots—because the material burden of a full stomach outweighs the spiritual incompatibility of communist ideas. Highly placed officials in the United States, in their turn, explain the "mass exodus of the Cuban people" by the fact that the population has been deprived of democracy and democratic freedoms. The White House press secretary, Dee Dee Myers, expressed the essence of the problem in one sentence: The economic situation and political repression are prompting the Cubans to flee.

However, what is there to hide? There is another version of the present Cuban immigration. No one other than the U.S. President, Bill Clinton, formulated it. Having accused Fidel Castro, the Cuban leader, of exporting the "political and economic crises" of a sick socialist society to the

United States, he expressed serious doubts about the migration's spontaneity.

The American President suspects the cunning-wise (let the reader select the one that pleases him) Castro of repeating the 1980 stunt—repeating that same history when a massive flight from Cuba was planned in advance. At that time, the leader of the Cuban revolution freed from prison and psychiatric hospitals all who wanted to flee to America—and they fled. America, incidentally, is still suffering from this "onslaught." A total of 4,000 so-called "expellees" out of the 124,000 1980 refugees are still in detention in the United States.

Today, in 1994, Fidel Castro has again laid his cards on the table: He permitted people to leave the country, without ceasing to emphasize that it was far from the best part of the Cuban nation that was fleeing during this exodus. In reply, the United States assessed what was happening more than seriously, as an attempt by the Cuban leader to control U.S. borders and its immigration policy; for the first time in many years, it sat down at the negotiating table with Cubans.

A second round, which began in Havana on 25 October, followed the first one. When commenting on the meetings, the American side continuously reminds one that the "only" subject, on which there is something for the participants to talk to each other about, is the migration subject. However, is this so? It seems that the migration problem is far from being the only task that the American diplomats are trying to solve today.

The United States calls the 30-year-old embargo a political incentive for change. In its words, America is pushing Cuba toward democracy and a market economy by means of the economic blockade. These two principles are not possible without free elections and without the right to establish unions, express one's opinion without fear, select one's trade independently, etc.

This is what lies on the surface. However, the events of the past month, which are directly connected with the migration and the American-Cuban negotiating process, permit one to state that the preoccupation with observing human rights camouflages economic interests to a great extent. The thought is a trite one. Possibly, in view of this, it would be unworthy of attention if it did not essentially touch upon our national interests. Warren Christopher, the U.S. secretary of state, recently said with deep satisfaction that Castro has lost his chief sponsor—the USSR: Billions of dollars are no longer coming into the country from the Union. One must agree with this. Our place at the Cuban table is empty—or, more accurately, we are going to that figurative table less and less. By no means do I want to be understood as supporting a revival of inequitable economic relations with Cuba in their previous idealized forms.

Neither we nor the Cubans need this—and, yes, it is also impossible to do.

However, does the Cuban market really not matter to us today? As before, it is important to a whole number of our domestic producers and consumers, especially with the slump in our production and the increase in unemployment. Does it really make no difference to us whether the

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thousand economic installations, which our country built and reconstructed at one time in Cuba, serve or do not serve common Russian-Cuban interests?

Does anyone doubt that it is necessary to settle the 16.5 billion transferable ruble Cuban debt? Again, it is necessary to keep the radio-electronic center, which was built on Cuba during the intensive development of bilateral relations, in the interests of Russia's national security. True, suddenly remembering this, we recently sent a military mission to discuss this subject; however, we, at the same time, tore up the contract for delivering oil to Cuba.

We are not so rich today in trading and economic partners that we can neglect them. Incidentally, more than half of Russia's commodity turnover with Latin America still goes to Cuba. This fact is not without interest. It testifies that we should conduct the entire complex of Russian-Cuban relations in accordance with worldwide accepted norms for state intercourse.

Cuba as a partner in the world market should have and expand its social and economic potential. However, if a prolonged blockade has halted the flow of the usual Russian investments, how is it possible to achieve this? Evidently, by securing an end to the embargo. Otherwise, there will be rigid economic dependence on a very close neighbor.

It is no accident that the Congress of the United States of America is now trying to expand the "Torricelli law" beyond the limits of domestic jurisdiction. Having become an extraterritorial one, it would internationalize the embargo against Cuba. Then, together with the program for issuing visas developed by the U.S. Immigration and Naturalization Service and the visa lottery, the policy of putting pressure on Cuba and its government would be strengthened manifold. Joseph Sullivan, who heads the U.S. interest section in Havana, spoke on national Cuban television and said right out: "We are in conflict with the government and not with the people of Cuba. We are doing everything so that both peoples will be together." (However, let us point out parenthetically that Cuba can become

a more open, democratic, and free society only when there is nothing to impede this, that is, it is necessary to remove the blockade.)

Proceeding from the advisability of having economic cooperation in the Caribbean region, Russia is bound to struggle consistently for the embargo's removal. Definite steps have already been taken in this direction. The deputies in the State Duma have just adopted a declaration on the need to remove the anti-Cuban blockade. Evidently, this will impact to a certain degree on the position of Russia's representatives in the United Nations. At the end of October of this year, they and the delegations from the CIS states voted for the embargo's repeal. Last year, Russia and the CIS countries watching it abstained for reasons that are not understood. In general, 101 countries have now voted "yes"—only two countries, including, of course, the United States, voted "against" the repeal. This is outstanding progress because only 88 countries voted against the blockade in the UN General Assembly last year.

Further initiatives are needed from our side. At the beginning of December, the Russian parliament plans to conduct hearings on Russian-Cuban relations. Intending to determine in detail their content today, the deputies are developing practical recommendations for implementing a state policy regarding Cuba.

Evidently, it would not be out of place to support contacts with the deputies in Cuba's National Assembly of People's Power and participate in the First Worldwide Meeting of Solidarity With Cuba, which will be convened in the very near future—the more so since the arrival of American congressmen at it is expected.

If one looks to the future, we need a dialogue with Cuba on a renewed, balanced, and mutually beneficial basis—the more so since the adoption of decentralized management of the national economy in Cuba will contribute to this. On both sides, considerations of an ideological nature have already practically disappeared. This means that an emotional approach in Russian-Cuban relations should be replaced by a rational and pragmatic one—for the mutual benefit of both countries' peoples.

CIS Military Integration Prospects Viewed

954F0297A Moscow NEZAVISIMAYA GAZETA
in Russian 4 Nov 94 p 3

[Article by Dmitriy Trenin under the rubric "Opinion": "Collective Security and Collective Defense: The Military Integration Plans of the CIS Countries Are Becoming More Realistic"]

[FBIS Translated Text] Within the framework of the revitalized debate concerning the reintegration of the post-Soviet states, a notable place is occupied by questions of convergence in the military-political and military spheres. Things have not been confined to debate: It may be affirmed that for the first time in three years the trend toward the drawing together of the defense space is starting to be the prevailing trend. A minimum of three most important circumstances are contributing to this: an awareness by the political elites of many new independent states (NIS) of the enormous difficulties that attend the independent building of national defense systems and, consequently, the gravitation toward a military alliance with Russia; the gradual formation in Russia itself of the political will in support of the military-political union of the countries of the CIS as a means of stabilization of the situation on the periphery of the Russian Federation and the creation of a "good-neighbor zone" around Russia; finally, as a derivative of the first two, the far greater realism in the vision of the actual ways and forms of realization of military integration plans.

The purpose of the present Russian defense policy in the near abroad is, evidently, the restoration—on a new basis and on a different scale—of the unity of the military-strategic space of the former Union (minus the Baltic) that was torn apart or seriously undermined as a result of the disintegration of the USSR. Designed to achieve this purpose is a strategy whose main components are the creation of a military-political alliance of the CIS headed by Russia; the close coordination of the efforts of the Russian Federation and the NIS in the guarding, and if necessary, the defense, of the external borders of the Commonwealth; the restoration of military-economic relations within the former Union military-industrial complex; the conversion of the CIS into a regional organization that is recognized by the world community as bearing (with Russia having the lead role) the main responsibility for the settlement of armed conflicts on the territory of the post-Soviet states. It is thus obvious that the former approach based on the theory of collective security and the practice of the division of the once united Soviet Army is giving way to a new approach aimed at realization of the principle of collective defense and the creation under the aegis of Russia of joint, and in the future, united, armed forces of the CIS.

It might at first glance seem that those that in the fall and winter of 1991-1992 were defeated in the argument over the fate of the Soviet military legacy have been compensated by history: The course of events has confirmed that they were right and, on the other hand, set an inordinately high price for the success of the recent "nationalizers" of the army. Nonetheless, it has to be seen that irreversible

changes, which rule out a direct return to primary unification ideas, have occurred in the past three years in all the former Soviet republics.

We need first and foremost to scrutinize the concept of a common Eurasian strategic space as the cornerstone of the majority of integration constructs. The unity of this space is seen as natural and stabilizing, and its rupture, as, correspondingly, unnatural and destabilizing. The weakening of Russia's positions in the world, the conflicts in the post-Soviet states, the expansionist aspirations of certain contiguous countries—these are the main arguments adduced in support of this proposition. The conclusion: Unite before it is too late, sounds logical.

What is the basis of this unification? The imperial interests of a vast multinational state served as this basis in past times. Today there is no such state, and it will hardly emerge tomorrow. It has to be a question of a community of security interests of a number of independent states, a number of which are located in East Europe, others, in the Transcaucasus, and yet others, in Central Asia. How great can this community be?

There are two instances wherein it could be sufficient for the formation of a military-political alliance. The first, traditional instance: a perception of the community of opposing threat. It was such a perception that formerly united Norway and Italy, Portugal and Turkey around the United States and beneath the flag of NATO. The second instance is a natural consequence of multilateral integration, when it is essential that the building of a federative structure entail the "federalization" of defense. This process is occurring currently within the framework of the European Union. How do matters stand in the CIS in this connection?

For the majority of NIS a common external threat (and its perception) is absent. The attention of Armenia is concentrated on Azerbaijan and Turkey, and of Uzbekistan, on Tajikistan and Afghanistan, and Belarus is, possibly, free of the perception of any threat at all. The blank resistance of the CIS countries to Russia's repeated attempts to enlist them in joint peacekeeping operations in conflict zones on the territory of the former USSR testifies to the degree of real, not sham, community of perceived threats.

As far as broad reintegration, the result of which could be a unified defense system, is concerned, all attempts at "reunification" have thus far proven unsuccessful mainly owing to the fact that they have conceptually been addressed to the past and have been based on material and ideological structures whose positions have been incessantly eroded. In this sense there should be even fewer hopes for a Eurasian union than for the CIS.

A process of the formation of a number of regions is actually occurring in the place of the "subworld of the USSR": a new East Europe, Transcaucasus, and Central Asia. The differences in the geostrategic position of the NIS and their security requirements, threat levels, and so forth are extraordinarily great and are continuing to increase. They are, of course, drawn together by one circumstance: All three new regions are situated on the periphery of Russia, which has its interests in each of them. But even in this case the relations among the new

East Europeans, Caucasians, and Central Asians are indirect. Thus the unity of the strategic space—in the sense of a buffer separating it from the traditional abroad—really exists only for Russia and is a fiction for the NIS.

Consequently, it cannot be expected—even less demanded—of Belarus that it will perceive the situation in Gornyy Badakhshan as directly affecting the fundamental interests of its security or that Uzbekistan will display concern for a strengthening of Russia's Far East borders. On the other hand, there is an undoubted community in the interests of Russia and a number of states in each of the newly formed regions. Under these conditions, what is more beneficial from the viewpoint of the interests of Russia—relying on an illusory community of interests of all the former republics and heaping onto itself the burden of the building and upkeep of a new Warsaw Pact, whose history could prove shorter than, and its fate, similar to the fate, of the prototype? Or seeking less all-embracing, but more efficient, longer-lasting, and cheaper options? This, it would seem, is an important question, the answer to which will help impart the optimum parameters to the planned military-political integration.

The author sees the following version of an answer. Instead of a single, but predominantly formal military-political alliance within the framework of the entire CIS, Russia could adopt a policy of the building of a system of regional agreements for deterring and warding off possible power challenges to itself and its new neighbors. In each region here Moscow would rely on the countries whose long-term security interests are so consonant with our regional interests that no change of leaders or governments could rapidly alter the national strategic priorities.

Obviously, in East Europe this means Belarus, which covers a most important strategic axis, secures our ground lines of communication with the rest of Europe, and brings Russia as close as possible to its Kaliningrad enclave. A union with Georgia, which is interested, like Russia, in preventing the regional expansion of neighboring states, is natural in the Transcaucasus. In Central Asia our strategic ally on the southern and eastern axes is Kazakhstan.

Close Russian-Belarusian relations in the military sphere ensuing from the organic convergence of the two countries could be developed on the basis of a bilateral security treaty, which would not cause apprehension among neighbors: Ukraine, Poland, and the Baltic. The corresponding supreme political and military authorities would be formed and joint armed forces would be created within the framework of regional treaties on the collective defense of Central Asia and the Transcaucasus. Even though the allies of the new Russia would not be that many, they would be key, supporting states bound to Russia by strong ties. Russia could accord its allies dependable security guarantees.

The separation from the ranks of CIS countries of a group of allies poses the question of Russia's relations with the other, "non-allied" states. Would Russia not thereby repel them and hurl them into neighbors' embraces? Would regional balances not thus be upset to Russia's detriment?

If we are speaking of East Europe, then, despite the good prospects of economic integration and certain coincidental security interests of Russia and Ukraine, their military

alliance is hardly possible politically as a consequence of the manifest domination therein of Russia. In addition, an alliance concluded despite the manifest absence of a military threat in East Europe could itself give rise to the apprehensions of neighboring Central European states and provoke a process whose result might be the reconstitution of the enemy image. Under such conditions Russian-Ukrainian cooperation in the defense sphere could include the basing in Crimea on the corresponding terms of the Russian Black Sea Fleet, the integration of air defense and ABM systems, the coordination of border activity, and, of course, the military-technical cooperation of the two countries.

In the new situation the strategic significance of Moldova for Russia is peripheral. A military threat to our country from this direction is absent. In addition, Moldova is split, and under these conditions a military alliance between Moscow and Chisinau could be of significance only to Tiraspol. For its part, despite the economic attachment to the countries of the CIS, Chisinau is firmly attuned toward a neutrality that excludes a foreign military presence. Russia's interest consists of promoting a settlement of the conflict between the Left Bank region and the rest of Moldova, not of acquiring bases "with a view of the Balkans."

There can hardly be any expectation of an alliance with Azerbaijan with the intention of deterring potential challenges on the part of Turkey and Iran (and where else?). Account should be taken also of the steadfast anti-Russian mood of part of the Azerbaijani political elite. Cooperation with Baku could include military-technical and border issues and lease of the radar station. Armenia, on the other hand, is definitely oriented toward an alliance with Russia, for which this country also is of obvious strategic interest. Nonetheless, despite the presence of Russian bases and border guards and also Moscow's assistance in the formation of Armenia's armed forces, an official military alliance with Yerevan—prior to the settlement of the Karabakh conflict, in any event—could be detrimental to Russia's positions in Azerbaijan and in the region as a whole.

Finally, in Central Asia the military-political line that Russia is actually in a position to hold runs, probably, along the southern and eastern borders of Kazakhstan, which should be our strategic ally. The other countries are either extraordinarily unstable or are pursuing goals barely consonant with ours or demonstratively prefer neutrality. In addition, as experience shows, threats emanating from the Central Asia-Middle East region may be countered least with the aid of traditional bloc building. Bilateral and multilateral military cooperation in specific areas (air defense, borders, military-technical cooperation) could produce greater benefits.

So a system of Russia's collective defense alliances would include a security treaty with Belarus, a defense treaty with Georgia and a special agreement with Armenia, and a defense treaty with Kazakhstan. Affiliated to this system would be a package of agreements with Ukraine and agreements on border protection, the unification of air defense systems, the leasing of facilities, and military-technical cooperation with other countries of the CIS.

Contrary to the widespread notion, collective security is not a lower form of military-political integration compared

with collective defense. In actual fact, these two constructs differ in principle. Whereas the first is designed to ensure security against encroachments emanating from within some community ("collective") of states, the second is aimed at repulsing threats directed from outside. Collective defense could, of course, also imply the collective security of the allies in respect to one another, but this aspect is undoubtedly subordinate. Finally, "security"

does not require indication of the potential aggressor since all would obtain equal guarantees against one another but "defense" could not be built without a sufficiently certain vision of a probable enemy. In practice this means that it would be expedient, together with the creation of regional defense systems, to preserve the system of security of the CIS, which could be entrusted with the mission of practical peacekeeping on the territory of the Commonwealth.

ECONOMIC & SOCIAL AFFAIRS

Yeltsin Edicts To Facilitate Creation of Finance-Industry Groups

954E0161A Moscow KOMMERSANT-DAILY in Russian
4 Nov 94 p 2

[Article by Nikolay Podlipiski: "Boris Yeltsin Immediately Increases Number of FPGs in Russia by 40 Percent: Creation of Finance-Industry Groups"]

[FBIS Translated Text] Two more Russian finance-industry groups have been added to the five already recognized by the state. This occurred after Boris Yeltsin signed edicts "On the Creation of Finance-Industry Groups with the Participation of the AvtoVAZ and KamAZ Joint-Stock Companies" and "On Drafting Measures for Government Support for the Creation and Activities of Finance-Industry Groups Based on the Interros Finance-Industry Group." Yesterday, these documents went into official distribution.

The creation of two more national finance-industry groups would not be a nearly sensational event were it not for the special path to official recognition chosen by the initiators in the creation of these super-large associations. Current legislation on finance-industry groups (in essence, this means only the presidential edict passed just less than a year ago) does not propose the formation of groups actually on the basis of Boris Yeltsin's edicts. Therefore, both the VAZ-KAMAZ and Interros associations will also have to go through the official procedure for registering finance-industry groups with the state. It should be noted that the reasons that compelled industrialists to seek support directly in the Kremlin were various.

For a long time, the Interros plan was blocked by the government apparatus. A highly placed official told the KOMMERSANT correspondent that the stumbling block had been the Novokuznetsk Metallurgical Combine, against whose joining this group one of the departments of the government apparatus objected. The leadership of KAMAZ and VAZ evidently did not consider the long and tedious procedure of getting several federal ministries to agree on their draft obligatory. It is not all that hard for Nikolay Bekh or Vladimir Kadannikov to get a meeting with the head of state instantly.

As for the economic results of creating these FPGs ((finance-industry groups)), today, when the composition of Interros has not been officially announced, they are hard to judge. However, several conclusions can be drawn. Above all, the nucleus of Interros is ONEKSIM-Bank, which fundamentally distinguishes the new group from its five predecessors: the initiators in their formation were enterprises in acute need of investments. The actual offer of capital, as a rule, does not correspond to the declared plans, and the activities of the group's enterprises are little different from their "independent" life. In this case, the bank has an interest in expanding its sphere of capital investment. Therefore entering the nonraw materials sector of the economy (especially reinforced with state support) is a perfectly reasonable direction for expansion for ONEKSIM-Bank and one of the conditions of its development.

The union of Russia's two leading automobile plants within the framework of one finance-industry group is a truly unprecedented event. For the first time in this country, structural changes have been announced in companies whose shares are sold on the national stock market. Naturally, the scale of the Nizhnekamskaya group is far from that of Renault-Volvo; however, the president's decision could have a definite influence in the market on shares of AvtoVAZ, KAMAZ, and AVVA. It is notable that, last winter, Igor Shurchkov, the initiator of the creation of the finance-industry group in Russia, was skeptical about the possibility of such an association, since "Bekh and Kadannikov are far too original leaders to work on the same team." Nonetheless, this strategic alliance has been formed.

[begin box]

In Accordance With Current Legislation, Finance-Industry Groups Can Be Created in the Following Manner:

- by participants in a voluntary procedure or by one of the group's participants consolidating packages of other participants' shares that he has acquired;
- by resolution of the Russian Government;
- on the basis of intergovernmental agreements.

There is no provision for the creation of finance-industry groups by legislation by the head of state.

[end box]

Boris Fedorov on Reasons for Ruble's Crash

954E0167A Moscow MOSKOVSKIYE NOVOSTI
in Russian No 48, 16-23 Oct 94 p 7

[Interview with Boris Fedorov, leader of the group of deputies Liberal-Democratic Union 12 December, by Tatyana Skorobogatko under the rubric "Opinion"; place and date not given: "Year Without Hopes"]

[FBIS Translated Text]

[Skorobogatko] If we add up everything that has been said and written about "black" Tuesday, what we get is a long list of mistakes by the government and Central Bank that led to the currency crisis. It is frequently implied that the violations of elementary rules for "interrelations" between the government and the foreign exchange market were not accidental but intentional....

[Fedorov] I am convinced that what happened is the result of the purposeful actions of the government and Central Bank. This was an attempt to resolve the budget problem and to prevent its collapse by manipulating the rate of foreign exchange.

[Skorobogatko] Can it really be that the authors of the "game" did not calculate the consequences, the main one of which is the dramatic loss of confidence in the government?

[Fedorov] It is probably a matter of the lack of political professionalism on the part of the "players" plus a lulling sense of impunity. After all, previously the manager of the Central Bank got away with a lot. If it is possible to dupe fellow citizens a couple of times with the exchange of

currency and give it 600 million in cash at the time of the dissolution of the Supreme Soviet... why can one not play with the exchange rate and rob the population of a trillion rubles in one day?

[Skorobogatko] But this time the punishment was swift....

[Fedorov] It may be that this quick reaction of the president was the main positive result of the "collapse" of the ruble. The president finally paid attention to what is happening with the economy. If it had not been for the currency crisis, we may have lived for a long time yet in a state of "sluggish schizophrenia," in which amid the speeches on reform there is no reform taking place. And the main thing is that there is no concept for these reforms and no priorities have been set. "Black" Tuesday showed the whole deceitfulness of the talk about the supposed incipient financial stabilization. And this is certainly a positive result as well. At least one of the many deceptions of recent years has finally been exposed.

[Skorobogatko] Can one count on a change in the government's economic course? Or are some political decisions needed for this?

[Fedorov] Only political decisions and fundamental ones at that. It is useless to give additional powers to this government or to replace particular people in it. The carrying out of reforms requires a different government—a unified team with a clear program of action.

[Skorobogatko] Does this mean that in the Duma you will vote for the dismissal of the government?

[Fedorov] If we depose this government, we will get something that is even worse. Democrats do not have a majority in the present Duma and they cannot put forward their own prime minister even if Union of 12 December unites with Russia's Choice, Yabloko, and PRES. Most likely the new government will be formed by the prime minister, who will be put forward by the communists and agrarians. Hence the present government must not be deposed. And it is unprincipled to support it. The only honorable way out is to abstain from voting with respect to the "no confidence" in the cabinet of Chernomyrdin.

[Skorobogatko] Abstain for how long?

[Fedorov] Until the next elections on 12 December 1995. And while preparing for the elections, to be victorious in them, we need to gain a majority in parliament and form our own government.

[Skorobogatko] So another year with no hopes for change?

[Fedorov] If the president himself does not want to force a change in the situation by appointing, let us say, Gaydar as prime minister, who would then replace the whole team. But that is unrealistic.

[Skorobogatko] Are you prepared to unite with the remaining supporters of reform around the figure of Gaydar?

[Fedorov] If the democrats receive a majority in the coming elections and form a parliamentary coalition, then the prime minister will be the one who gets the most votes. If it is Gaydar, it is Gaydar. As for the candidate for

president, it is necessary to support the democratic candidate who has a real chance to win. Next year we will propose a mechanism to reveal the opinion of the people. For the time being, it is necessary to think about how to expand the electorate of the reformers and attract to our side those who voted for the communists or Zhirinovskiy last year. Despite all the disappointments, many still want reforms but more humane ones than those that have been carried out so far. People from the "Skokov" structures are coming to us and this says something.

Academician Perlamutrov on Solving Economic Crisis

954E0163A Moscow DELOVOY MIR in Russian
3 Nov 94 p 4

[Interview with Academician Vilen Perlamutrov by Moisey Gelman under the rubric "Money"; place and date not given: "The Gordian Knot of Nonpayments: How to Cut It?"]

[FBIS Translated Text] A research group has been formed from the country's leading economists under the government operational commission on improving the system of payments and transactions. The group is supposed to prepare recommendations on lowering the mutual indebtedness of enterprises and the state. Professor Vilen Perlamutrov, deputy director of the research group, a well-known specialist in the area of finance, credit, and currency circulation and deputy director of the Institute on Market Problems of the Russian Academy of Sciences (RAN), set forth his vision of the problem to DM correspondent Moisey Gelman.

[Gelman] Vilen Leonidovich, in order to begin to treat the patient, first of all you have to establish the true cause of ill health. Nonpayments is only one of the symptoms of our economy's illness, and, obviously, we should not fight the symptom but cure the organism as a whole. What, in your view, is the diagnosis of the illness that has led to the crisis in the economy in general and the crisis of nonpayments in particular?

[Perlamutrov] If we are talking in the most general way, then the crisis of our economy was prepared by the collapse of its administration during perestroika and the subsequent breakup of its base with the destruction of the Soviet Union. The crisis has been in full swing since 2 January 1992, with the start of the current reforms. Massive nonpayments arose quickly thereafter. Their basic cause is the so-called price liberalization under the one-time devaluation of enterprises' working capital. Prices today have grown by a factor of 1,200-1,500, but enterprises' working capital has grown by a factor of only 250-300. Therefore we should be talking above all not about a crisis of nonpayments but about a crisis of working capital for enterprises and the economy as a whole. If reform had been started by people who understood something about finance and production, then they could have compensated for the global rise in prices, which simultaneously provoked a decline in the ruble's purchasing power and the devaluation of capital, by indexing working capital, amortization allocations, and all income. Otherwise, without money, without a currency conveyor, goods remain in warehouses, and production winds down and dies out. However, the people who stood at the sources of

the reforms had never been directors of enterprises, banks, or rayon finance departments, and they did not have a feel for the influences of working capital, profit, amortization allocations, debts, and the debit and credit balance.

The current crisis has been influenced to a significant degree by the real lack of control over foreign economic activity. In the countries of postwar Western Europe, relative freedom of import and export was permitted only as those countries' economies stabilized, when the national goods producers were back on their feet. Then they introduced their own convertible currency. Also, the value-added tax is a tax for a stable economy, a unique accelerator of currency circulation. These and several other factors, including the breakdown in economic operational ties and the imbalance in goods production, have led to the disruption of commodity-money circulation. The balance sheet for commodity-money circulation is one of the basic criteria for the stability of an economy. After that there must be a Central Bank and a government regulating currency emission and creating the conditions for the growth of goods production.

I think our reformers were motivated by a vain desire to go down in history as the people who were able to transform a command economy into a market economy in two or three years. But there are no miracles in this world. Unfortunately, for all intents and purposes, the current government is continuing the course begun in 1992.

Thus, by the beginning of the so-called reforms, there was already a precrisis situation in the country. All it took to provoke the crisis in the economy was releasing prices. Which they did. As factors provoking nonpayments, you can cite the following (in no particular order): the failure to liquidate government indebtedness; the nonpayments of CIS countries; the intentional delay in transactions by banks; the removal from production of payment means by enterprises, including for currency operations; the intra-branch and interbranch failure to coordinate prices; the indebtedness of the processing industry to the fuel and energy complex and of agriculture to industry; the general shortage of working capital in the economy in connection with its devaluation; the general lack of payment means; the removal by banks of newly emitted currency from servicing economic circulation in order to finance commodity and currency speculation; suppressed demand for consumer goods due to the prohibitive growth of prices; suppressed investment demand due to high loan rates; the import of what we already produced, often at lower cost.

[Gelman] In your opinion, what measures should be taken to decrease mutual indebtedness?

[Perlamutrov] Above all, this will require changing our notion of the reforms that are devastating our economy, departing from the policy of misinterpreted monetarism, and returning to state control over the economy on the macro level—in particular, introducing control over prices. As for specific tactical measures, first of all, again, come prices. Nowhere in the world is there total freedom for prices, especially given a monopoly on goods production. Here it is appropriate to recall our experience with the New Economic Policy (NEP). In the 1920s, due to freed prices, our Soviet banknotes of the era became

terribly devaluated. By the way, now too we are moving toward counting in the millions of rubles for a box of matches. Then, in the years 1922-1923, enterprises were in debt to one another, and the state owed industry enormous sums (400 million gold chervontsy). In essence, it was a matter of the need to deal with the crisis of working capital provoked by nonpayments. At the time they introduced the freely convertible gold chervontets for the purpose of financial stabilization. State trusts created joint-stock supply-trading syndicates, which became middlemen between the producers and the final consumers. They bought output wholesale and sold it retail, setting prices that satisfied all levels of solvent demand. The point is that, as world experience demonstrates, wholesale trade has an objective need to obtain maximum profit at the expense of satisfying the entire potential demand, i.e., at the expense of expanding the physical volume of sales. Not by ratcheting up prices to a level that limits demand to a small group of rich consumers. Therefore, the syndicates influenced goods producers in corresponding fashion. Moreover, they introduced intrasyndicate bills of exchange, which replaced "live" money and were also securely guaranteed by liquid goods. Today many among us are talking about bills of exchange, especially banking bills of exchange, although their reliability is doubtful. We should be talking about the kind of reliable bill of exchange that circulated in the NEP syndicates. We have been through all this before, and there is no need to invent anything.

Today our system of wholesale trade has been virtually destroyed. Small-scale wholesale and retail trading enterprises are flourishing. Rebuilding large-scale wholesale trade will take time. Therefore, it is essential during the transitional period to make use of the experience of other countries, including France, that regulate prices on many types of output. One form of regulation is cartel agreements on prices, the stabilization of which also facilitates the creation of finance-industry groups, which use transfer prices. By the way, here too internal bills of exchange could be applied, which would economize on working capital, and the reliability of comrade-emitters would not raise the slightest doubts.

In the countries of the European Community and in the United States, stable food prices and the accessibility of food to all strata of the population are achieved thanks to subsidies to agriculture and restrictions on prices. This makes it possible to support the agricultural goods producer, on the results of whose work the country's security and social stability depend. Here, prices for food are constantly rising, and our peasants, kolkhozes, soykhozes, and private farmers cannot sell their output due to its artificially created noncompetitiveness. Cheap low-quality food is brought in freely, and the dollar's rate of exchange is forever mounting. In many European countries, the unprofitable coal industry is subsidized, since the power economy requires coal. If its unprofitable mining were not compensated for, then prices for electricity and heat would mount substantially, which would entail a multifold increase in prices for many types of output and services. In the United States, coal is not subsidized, but coal mines join electric companies, whose prices for electricity are

restricted. So we know how to regulate and stabilize prices, and we need to start doing that, taking our own economic conditions into account.

I should also point out one reason for the crisis in working capital and the growth in nonpayments. This is the enormous pressure on enterprises of taxation, which blocks almost completely any increase in the funds in their accounts. Moreover, due to inflation, taxation essentially increases with the lengthening of the production cycle. In the absence of tax unification and regulation, local authorities frequently practice extortion. So does the state. According to our currently accepted procedure, profit is calculated not on the basis of output sold, on the basis of cash received, but on the basis of goods delivered, when the money has not and may never come in. Thus, instead of part of the profit not yet received, they are taking enterprises' fixed and working capital for the budget. This procedure basically provokes nonpayments.

It is essential that we unify taxes, once we have substantially decreased their variety, and that we introduce restrictions on their total amount. However, in order to fulfill the income portion of the budget, out of which we have to scrape up the same subsidies for unprofitable sectors and thus stabilize prices, it is essential that we support goods production and receive the corresponding profit. Its reconstruction requires filling out enterprises' working capital at the expense of the debts they are repaid. In order to cut this Gordian knot, it makes sense to open the Central Bank's credit lines in order to break the chain of nonpayments, with the strictest controls, so that this money does not land on the currency or other financial markets. According to estimates, a ruble in loans liquidates R4.3 in nonpayments. So that the expenditures of the state budget, for example, to support the state apparatus would be enough to get the economy's payment conveyor going. After that, the growth in production and the sale of output would provide for self-financing. The treasury would fill up as well. If production is falling by 15-25 percent annually, then it can be restored at the same rate. That was how it was after the crisis of working capital in the NEP years. And that, clearly, is how it could be now. If people stop being afraid of the necessary credit emission. Even under mounting inflation, which will be eliminated with the growth of output and the income of goods producers. Thus, in 1926, the increment in industrial production in the Soviet Union reached 56 percent per year, and inflation disappeared completely. We have to begin by paying off state debts. And just as it happened in the countries of postwar Western Europe, the state must take harsh protectionist measures to help cultivate our national goods production and the development of market relations in the country, bringing recommendations on the economy's goods balance to the knowledge of all goods producers. For instance, after the war, the British Government, in order to restore the economy, established a strict list of priority types of output that registered firms could produce once again. Perfumeries were excluded from this list, for example. But this kind of harshness in our present transitional stage is essential, too, in order to eliminate any possible spontaneous overproduction of goods, which could attract funds and not allow us to receive potential profit and collect the corresponding taxes. Thus, we cannot get along without

priorities in the reforms. Casting one's eye over the entire national economy and assessing what needs to be produced in it can be done only from above. Therefore our nation's economy obviously must restore certain planning principles that, due to certain pseudomarket notions, make everyone scurry now. State planning here has been replaced by departmental elaboration of weakly interconnected federal programs. For which there are no funds, by the way. I have visited government planning organs in France, Japan, and South Korea where they are making wide use of our recent experience with planning an economy. In the final analysis, the element of the market does not ensure optimization of profit on a national scale.

[Gelman] You have indicated as one reason for nonpayments the intentional delay by commercial banks in clearing transactions. They are delaying the transmission of centralized credits to their recipients. At the same time you spoke about the necessity of opening credit lines in order to break the chain of nonpayments. Where are the guarantees that all commercial banks will follow the established rules and will not use Central Bank loans for surreptitious operations? Doesn't it make sense, given current conditions, to nationalize a portion of the commercial banks, above all those whose basic shares consist of state capital, and to subordinate them to the Central Bank, in order to implement a controllable finance policy? Without allowing speculation in money, which apart from nonpayments due to the removal of funds from currency circulation, also engenders inflation as well.

[Perlamutrov] The worse the situation in the economy, the stronger the Central Bank's authority over money must be. Why don't we use credit lines everywhere—the technology of financing targeted expenditures with strict control over borrowers—an invention of the postwar years that ensured the restoration of the economy of the West European countries? This way, the money is in the direct possession not of the credit recipient but of the bank, which opens a corresponding loan account and controls the payment documents belonging to the repayment, with consideration for the purpose of the loan. We used a similar system before. Its partial restoration, possibly by means of nationalizing commercial banks, might lower credit rates (the middlemen would disappear) and decrease the volume of currency at the expense of accelerating its circulation. How can we fail to recall here that, during the Great Depression in the United States, President Roosevelt threatened American banks with nationalization if they did not follow the government's course for the stabilization of finance and the economy? The threat was effective. Today we are ordered to act in a similar fashion by the Lord God himself, not just by the experience of the United States, about which the numerous American advisers of our president and government apparently know nothing.

[Gelman] Not long ago, evidently wishing to limit the use of loans for the purchase of foreign currency, the Central Bank increased credit rates to 170 percent. Won't this lead to a further delay in currency circulation and an increase in nonpayments? And isn't this imitating the decline in inflation rates?

[Perlamutrov] Those rates are the final cross on any possibilities for capital investment in the economy. At the

same time, given such rates, currency's ability to circulate is reduced even more, which provokes a further lowering of inflation rates. With an increase in nonpayments. This kind of pattern of expenditures attests to the illusoriness of assertions about any stabilization tendencies in the economy. In particular, the lowering of inflation rates turns out to be illusory, since solvent demand is substantially down. After all, given zero demand, inflation ceases altogether. Simultaneously, though, the economy dies. As it stands today, it is a matter of either payment circulation being normalized and systemic reforms carried out, or else continuing chaos in currency circulation and then at best a return to the inevitable economics of war communism. There is no third choice.

Lack of State Aid for Socially Disadvantaged Scored

954E0148A Moscow *RABOCHAYA TRIBUNA* in Russian
4 Nov 94 pp 1, 5

[Article by S. Kalashnikov, State Duma deputy, chairman of Committee on Labor and Social Support: "If Children Are Stealing Bread, It Means the Country Is in Big Trouble"]

[FBIS Translated Text] Recently Sergey Vyacheslavovich visited us in the editorial office. For two hours he responded to questions asked by *RABOCHAYA TRIBUNA* reporters. First, however, he was allowed to give an introductory talk.

Below is the talk given by Deputy S. Kalashnikov on what disturbs and troubles him the most.

I will begin by saying that so far there is no state policy in Russia for the social protection of citizens. There is also no policy in the regulation of wages, and, therefore, there is no labor market. That is not a policy. There are waves that are carrying us somewhere, and we are not even attempting to steer the boat.

What can be done in a situation like that? There are three viewpoints. The first one is that of the government. According to it, the entire social sphere, everything that is linked to the regulation of wages and the labor market, is carried out to the periphery of economic activity. The reasoning is as follows: If we do anything that is good for the economy, then all the other problems will resolve themselves.

The president, it appears, is attempting to demonstrate a different approach. We are talking about a program for stabilization of living standards. A group of specialists, under the leadership of ex-minister Ella Pamfilova, who heads the Presidential Council on Social Policy, worked out not a policy, but, let us put it this way, a technical assignment for the elaboration of a social concept. It does not contain any concrete norms or orientation points, but certain principles have been formulated. The most important one is that it is necessary to create assistance for the poor within the framework of the subsistence minimum. The "subsistence minimum" must be a starting point in the development of the government social policy.

The presidential draft contains quite a few more sensible and interesting proposals. But the government, having received this document, laughed for a long time. Its

positions, unfortunately, cannot be converted into the language of decrees and laws. Even the R7 trillion that were needed in August 1994 cannot be appropriated by the government. They are not provided for in the budget and never will be. The sequence of events that must come at the start, what has to be done after that, what is most urgent and must be done today, and what can be postponed until tomorrow was not determined, as it must be done even if only in approximation in each program. The saddest fact is that the question concerning regulation of wages was completely circumvented. At the same time, it is not a secret that social structure relies entirely on wages.

The third approach was worked out by our committee. I will make a reservation right off that three members of our committee had participated in the elaboration of the Yeltsin-Pamfilova program. But we have, so to speak, a pragmatic wing as well. It evolved from the fact that, first of all, it is necessary to prepare documents that will work, and then, as some would really like to do, it is also necessary to participate in theoretical discussions.

The committee adopted the following point of view—we are not at the edge of an abyss, as some like to put it, we have tumbled into it a long time ago. The main social positions, which perhaps have not been won, but were still adopted, have today been lost. More than that, a system with a minus sign is being created (such as, for instance, the insurance and public health systems), aimed at the destruction even of what we have at the present time. In other words, the building is being destroyed and nothing is being built to replace it. Sort of like the catacombs...

In our view it is necessary to resolve an entire series of extremely urgent tasks. First of all, it is of paramount importance to ensure the social protection of those who are unable to work. What do we mean? The fact that it is necessary to introduce the concept of a "physiological, subsistence minimum." Not a subsistence minimum that is calculated on the basis of 19 items (even though it too is inadequate), but a minimum that would save people from starvation and extinction.

According to preliminary calculations by a series of institutes within the Ministry of Social Protection system, such a minimum for the central region of Russia came to R45,000 in July. If one recalls that the minimum pension in July was R37,000, while wages were delayed by two to three months in many locations, it is possible to imagine how cheap talk is about improving Russian life.

We are not even making it to the "physiological level" ensuring survival. We have hit bottom...

Now, for the first time in the practice of civilized nations, we are introducing the concept of "physiological subsistence minimum," which, I will repeat, presupposes extreme impoverishment of the population. I hope it will not be necessary to appeal to the International Red Cross for food. That would be at the level of Ethiopia. When the Red Cross was implementing the decision to extend aid to Ethiopia, the concept of physiological subsistence minimum was used. A working person has to feed not just himself, but his children, his family. In our case there are situations when a family, thank God, includes a pensioner who feeds two working members.

Our primary task is to adopt a series of laws that would ensure millions at least that "physiological level." I am certainly not overjoyed with this term. It smacks of genocide, it seems to cross out man. But the situation is specifically such that it is necessary to first of all save those who cannot earn enough for a decent life on their own.

There is money in the country. It is a wealthy country despite the way it is being robbed. It is necessary to appropriate funds for minimal social programs outside the budget! Estimating expenditures on them in percent of the gross domestic product, we must pass a law in accordance with which, for instance, 10 to 15 percent of the GDP, no matter what, are allocated for that confounded minimum social level. Since the constitution proclaims a social state, at the very least, people should not be passing out from hunger.

I sailed along the Volga this summer and visited many cities. For the first time, I was told by many concerned members of the militia that juvenile crime has been on the rise again, which is rather difficult to imagine in the late 20th century. The children are stealing bread. That used to happen during the war, and now it is occurring again—for the first time since the war. If children are not getting enough bread and have to steal it, that means the country is in trouble, big trouble.

In the discussions going on about the 1995 budget we are favoring adoption of a law on the subsistence minimum. The Duma adopted it at the first reading. I believe it will eventually be fully adopted. In that light it is important to determine the share of priority social payments as a share of the gross domestic product.

Arbitrariness in the remuneration of labor, which has now developed, is absolutely unjustified. Except for what some abstract slogans state, everyone should earn as much as he can. Our current "market" determines the basic earnings of people not through their labor, but through their ability to adapt to the existing distribution mechanisms. This means that whatever a person receives as a wage, is not a wage for labor, but, excuse me, a form of profit from his commercial-congeneric relationships.

The market was conceived as a means for the stimulation of labor: it was supposed to compel all to work more intensively. Ask any schoolboy what is our current attitude toward work. He will be happy to tell you how eager he is to spend his life operating a machine tool. He dreams of that. In other words, a "market" mechanism has been created, which absolutely does not stimulate labor.

I have talked long enough even though I never got to a lot of what has been bothering me. I hope I will be able to do so when answering some of the questions.

Draft Program on Creating Financial-Industrial Groups

954F0234A Moscow ROSSIYSKAYA GAZETA
in Russian 29 Oct 94 p 14

[Draft program: "Financial-Industrial Groups"]

[FBIS Translated Text] This "Program of Assistance With the Establishment of Financial-Industrial Groups" (subsequently to be referred to as "the Program") was developed by

the Russian Federation State Committee on Industrial Policy in conjunction with the Russian Federation State Committee for the Management of State Property, the Russian Federation Ministry of Economics, the Russian Federation Ministry of Finance, the Central Bank of the Russian Federation, the Russian Federation Ministry of Fuels and the Energy Industry and other interested ministries and agencies for the purpose of implementing the provisions of the message by the President of the Russian Federation to the Federal Assembly entitled "On Strengthening the Russian State (Basic Directions of Domestic and Foreign Policy)" and Russian Federation Presidential Edict No. 2096 (issued 5 December 1993) "On Establishment of Financial-Industrial Groups in the Russian Federation," pursuant to Russian Federation Government Decree No. 869 (26 July 1994) "On the Results of Russian Federation Social and Economic Development in the First Half of 1994, and Goals for the Near Future"

The need to take a program-based approach to the establishment of financial-industrial groups (FIGs) is dictated by:

- the great significance and high priority of the problem of institutional and structural transformations in the economy on the basis of integration of financial and industrial capital and development of holding and trustee relations;
- the scale and complexity of efforts to create self-developing market-type economic organizational structures oriented toward revitalization of Russian Federation industry's scientific-technical and export potential and joint operations by enterprises under various forms of ownership.

The Program is designed to implement the provisions of state industrial policy and establishes basic (conceptual) provisions for efforts to establish FIGs and a series of measures of assistance with the establishment and development of FIGs.

The Program was developed with consideration for the main provisions contained in "State Programs for Elimination of Monopolies From the Economy and Privatization of State-Owned and Municipal Enterprises" and the "Concept for Russian State Industrial Policy, 1994-95." (The Program is presented here in abridged form.)

Creation of Financial-Industrial Groups as an Aspect of Industrial Policy

In accordance with Russian Federation Presidential Edict No. 2096 (5 December 1993), financial-industrial groups (FIGs) are defined as a group of enterprises, institutions, organizations, lending and financial institutions and investment institutions officially registered at the federal level, pooling of the capital of which is carried out according to a procedure and on terms set forth in the "Statute on Financial-Industrial Groups and Procedure for Their Establishment."

The role of FIGs is especially prominent at a time of declining economic development, when what is necessary is rapid mobilization of resources and their concentration and efficient distribution in key areas of science, technology and production.

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The most important objectives of FIG establishment are:

- concentration of investment resources in priority areas of economic development;
- provision of financial resources for the area of industrial research and development and acceleration of scientific and technical progress;
- improvement in the export potential and competitiveness of Russian enterprises' products;
- facilitation of de-monopolization of the product market in the industrial complex;
- implementation of progressive structural changes in industry; realization of defense industry conversion;
- creation of efficient technological and cooperative ties based on a market economy and development of a competitive economic environment;
- protection of privatized industry against unjustified changes in the nature of production through transfer of blocks of stock to FIG ownership.

Among the main principles of FIG establishment are the following:

1. the individual nature of projects for the establishment of each FIG on the basis of a unified normative and legal base;
2. multiple options for the establishment of FIGs, including voluntary entry by enterprises (organizations) into groups, and multiple forms of consolidating blocks of stocks, as well as the opportunity to establish FIGs out of treasury-funded enterprises;
3. utilization of diverse organizational and legal forms for integration of financial, industrial and trading capital on the basis of mutual interest in the outcome of joint operations as the definitive factor in the establishment of groups;
4. priority establishment of FIGs based on technologically and cooperatively connected industrial enterprises that manufacture complex, high-tech products which enjoy solvent demand and are competitive in the domestic and foreign markets, as well as products to meet the state's needs;
5. special-purpose formation of a number of FIGs—as a rule, not less than three—in one industry's (or region's) product market, or the existence of competitors producing the types of products in question in that market. Exceptions to this principle may be made in connection with the specific nature of groups' activities (for example, manufacture of weapons and strategic raw and processed materials);
6. state assistance to and support for the establishment and operations of FIGs, the investment projects and programs of which correspond to the goals and priorities of social and economic policy, on the basis of agreements on partnership and mutual responsibility between the FIGs and the Government of the Russian Federation (or its authorized agency). The forms of

state support for FIGs may vary in view of the specific nature of the economic situation or the activities of a specific group;

7. use during the group establishment process of both market-based and non-market-based procedures for consolidating blocks of stock belonging to the state. Use of non-market-based means is permitted for the purpose of maintaining state control over certain types of production;
8. the possibility of establishing international FIGs, with consideration for the direction of existing and planned treaty relations and the specific nature of individual product markets;
9. use of FIGs as a basis for the creation of new investment mechanisms for the development of industrial production that will ensure self-financing and reduction of the burden on the republic budget;
10. socioeconomic justification of FIG establishment programs, supported by expert appraisals.

The composition of members and the legal organizational forms of FIGs may vary in view of stages in the complete reproduction cycle, enterprises' financial, scientific and production potential, and their role in winning specific market segments. The principal options consist of uniting FIG participants around:

- an industrial enterprise;
- a research or design organization;
- a commercial bank;
- a trading company.

The types of FIG may also differ:

- a. in their forms of production integration (vertical, horizontal or conglomerated);
- b. by association with sectors of the economy (between sectors or pertaining only to a single sector);
- c. by scale of operations (international, republic-wide or regional);
- d. by degree of diversification (multi-purpose or single-purpose).

Establishment of an FIG on a voluntary basis may occur either through the group members' establishment of an open-type joint-stock company or through implementation of holding company- or trustee-based relations.

Contributions to the start-up capital of a newly-created FIG may include:

- cash in rubles or foreign currency;
- buildings, facilities, equipment or other physical resources;
- securities and rights to the use of land, water, other natural resources, buildings, facilities or equipment;
- intellectual property.

Establishment of an FIG must be carried out in compliance with the antitrust restrictions stemming from current legislation:

- in order to avoid abuses of a dominant position, it is not permitted for large financial-industrial groups to acquire a monopoly influence on local product markets or restrict access to them by other commercial entities, including foreign ones;
- when FIGs are established according to the principles of export cartels, companies which are competitors in the product market in question must not unite, if the inclusion of such companies in the group will result in significant obstacles to or restrictions on competition in the domestic market.

When FIGs are established the initiators must perform a number of tasks, the principal ones of which are:

- selection of interested potential participants and a search for means of harmonizing their economic interests within a framework of joint operations;
- formation of a unified and mutually acceptable strategy of behavior in product markets;
- accumulation of sufficient start-up capital;
- development of an effective mechanism for increasing [the group's] own capital;
- selection of optimum forms and methods of directing joint operations.

State support for the activities of FIGs may involve a number of special benefits as set forth in Russian Federation Presidential Edict No. 2096 (5 December 1993), including:

- transfer of blocks of stock in enterprises which are members of the financial-industrial group that have been temporarily assigned to the government to commercial or trustee management by the financial-industrial group or one of its members which meets the requirements contained in Article 9, Point 1 of the Russian Federation Law "On Privatization of State-Owned and Municipal Enterprises in the Russian Federation";
- cancellation of the debts of an enterprise, shares in which are sold through investment competitions (or at auction), in the amount of investment provided for by the terms of the investment competition (or auction), to benefit the financial-industrial group that is the purchaser;
- extension of state guarantees in order to attract various types of investment resources, including through use of the deposit mechanism.

In addition, in the future additional measures of state support may also be developed and applied, including:

- issuance of guarantees to groups which issue securities;
- transition to taxation based on the group's overall finished production;
- granting of rights to accelerated depreciation of fixed capital;

—granting of tax breaks in connection with taxes on securities transactions;

—granting, within the limits of current legislation, of customs exemptions and preference to cooperative shipments made within the framework of an FIG.

Measures of state support for FIGs should combine both ongoing and temporary benefits which take specific investment projects and programs into account.

In the future, after more experience with FIG operations has been gained, other measures of state support for FIGs may also be developed and applied, and existing measures may be rescinded.

Establishment of FIGs in the Russian economy is being hampered by:

- inadequate motivation on the part of banking structures to finance industrial projection of a medium- and long-range nature;
- lack of a unified procedure for providing state support to FIGs, allocating that support in accordance with the objectives of industrial policy and clearly defined criteria;
- inadequate coordination of that support on the part of various ministries and agencies;
- lack of recommendations that would make it easier for the initiators of FIG establishment to perform the tasks they face.

This Program of assistance with the establishment of FIGs is intended to bring about a change in the existing situation in this regard. Otherwise solutions to structural problems could become a long-range prospect, resulting in losses for which it would be difficult to compensate.

Projection of the Development of Financial-Industrial Groups

If this Program is implemented, the years 1994-95 will be a period of active FIG formation in areas which define the Russian Federation's scientific, production, defense and export potential and which correspond to the priorities of the state's selection policy.

A significant role in the establishment of FIGs must be played by enterprises, research institutions and design bureaus in the defense complex, in particular those that are extensively diversified. One prerequisite for broad participation by those enterprises in FIGs will be clear-cut guidelines governing the special considerations involved in combining non-privatized enterprises and their mutual relations with general contractors and the state budget.

Efforts by banking capital to go beyond the realm of deposit and lending services for industrial enterprises and to become involved in efforts to mobilize, redistribute and manage capital flows will also be broadly applicable to other areas possessing great export potential. For example, the emergence of financial-industrial groups in the fuels and energy complex has been accompanied by increased competition between commercial banks and investment companies.

In the metals and machine building industries FIGs will be the primary means of implementing major investment

projects to modernize those sectors and begin manufacturing products that can be substituted for imports.

The establishment of financial-industrial groups can be used to carry out large-scale conversion programs connected with the manufacture of a full range of equipment for the raw materials and processing industries.

In the timber and wood processing industry financial-industrial groups and holding companies will facilitate more complete processing of Russian raw materials.

The process of FIG formation will affect coal mining, building materials production, the food industry and light industry to a lesser degree. However, some financial-industrial groups might emerge in those areas as well. There have been initiatives to establish FIGs in those industries.

In 1994 one can expect the establishment of 10-15 financial-industrial groups of various sizes. Experience establishing them could become the basis for the establishment of 50-70 major financial-industrial groups by 1996, including approximately 10 FIGs in the metals industry, approximately 15 FIGs in the machine building industry, and approximately 20 FIGs based on enterprises in the defense complex.

Over the long term one can expect the emergence of 100-150 powerful FIGs in Russian industry, comparable in size to the leading foreign corporate associations.

Intensification of the market orientation of our country's economy, conversion of defense-related production and implementation of regional economic development programs will lead to diversification of a majority of the machine-building FIGs.

Among the diversified groups uniting enterprises in sectors found at different stages of the life cycle, holding-company-type FIGs will have great opportunities for redistribution of resources from displaced types of production to the latest types.

In many financial-industrial groups operating on the leading edge of science and technology a consolidating role will be played by research and development organizations. The influence of trading and intermediary capital will be felt most tangibly in the fuel and raw materials industries, export of the products of which does not require the services of manufacturing specialists, though the actual production of those products does make use of technologies from other industries and types of manufacturing.

The rate of FIG emergence and the evolution of their composition will be influenced by an increasingly active bankruptcy mechanism. Sale of a portion of the shares belonging to them through investment funds will facilitate supplementing of the most promising FIGs by previously untouched manufacturing sectors.

When FIGs use a portion of shares in their enterprises to pay off debts to their suppliers in the other CIS countries, this will accelerate the establishment of FIGs out of enterprises in those countries. In 1994-95 this kind of integration process will extend primarily to industry in Russia, Kazakhstan and Belarus.

The establishment of financial-industrial groups will have a multifaceted and lasting effect on the development of Russian industry. In 1994-95 the results of that influence within the context of other economic policy measures could be:

- stabilization of production;
- greater competition in the economic environment;
- acceleration of scientific and technical development;
- improvement in the investment situation;
- structural changes;
- financial stabilization;
- strengthening of the social basis for economic reforms.

At the same time, painstaking individualized establishment of specific FIGs should eliminate the potential for the emergence of negative tendencies such as:

- establishment of associations without the emergence of real owners and a financial interest in the overall production-related and financial outcome of operations;
- additional siphoning off of capital from industry into the realm of more profitable short-term transactions;
- increased monopolization of production-related, financial and trading activities, higher prices for finished products, etc.

Elimination of these and other possible negative aspects should be facilitated both by objective appraisal of FIG projects and by systematic analysis of their operations, as well as by introduction of special regulatory measures (contractual agreements between group members and the presence of representatives from state administrative organs on oversight councils).

A Series of Measures Pertaining to Establishment of Financial-Industrial Groups

Efforts to establish an FIG are complex, involving actions by central and regional executive bodies, industrial enterprises, research institutes, design bureaus, financial and lending institutions and diverse commercial structures. The corresponding Program measures are oriented primarily toward the federal level of administration.

The coordinator of efforts to establish FIGs is the Interagency Commission on Assistance With the Organization of Industrial Joint-Stock Companies and Financial-Industrial Groups [Mezhvedomstvennaya komissiya po sodeystviyu organizatsii aktsionernykh promyshlennykh kompaniy i finansovo-promyshlennykh grupp]; organizational and technical support for these efforts is the task of the Russian Federation State Duma Committee on Industrial Policy.

The principal aspects of ensuring implementation of Program measures are:

Normative and Legal Support: In this area the Program makes provision for:

- consideration for the general nature of FIG operations when amending current legislation;
- creation of new legislative acts directly regulating key provisions of FIG operations;

—consideration for regional and industry-related special features of the establishment and functioning of FIGs when providing normative and legal regulation of industrial activities, particular with regard to defense-related manufacture and priority areas of selective structural policy.

Scientific and Methodological Support: Main efforts will focus on:

- development of a system of normative methodological documents defining the main provisions of FIGs' scientific-technical, financial-investment and foreign economic operations;
- conducting of systematic analysis of the process of FIG establishment and development of scientifically justified proposals with regard to increasing their effectiveness in view of industry-related and regional specificity.

Organizational Support: Program measures assume that the groundwork will be laid for effective interaction between the initiators of FIG projects and the Interagency Commission on Assistance With the Organization of Industrial Joint-Stock Companies and Financial-Industrial Groups, the Russian State Committee on Industrial Policy, the Russian State Committee for Antimonopoly Policy and Support of New Economic Structures, the Russian State Committee for State Property Management and other federal and regional administrative organs. Measures have been outlined with regard to the creation of a system to appraise and select FIG projects.

In addition, the following must be developed:

- a system for interaction between organs of state administration and FIGs as major contractors filling state orders, a system that must be founded on a contractual basis and indicate the parties' rights and responsibility for performance of the obligations accepted by them;
- procedure for the establishment of FIGs under special terms for their organization, interaction and functioning, and in particular approaches to membership in

FIGs by defense complex enterprises and organizations which are not subject to privatization.

With regard to resolution of organizational matters, there are plans to assist with the creation of the commercial infrastructure essential to FIG enterprises: a dealer network, insurance organizations and wholesale sales structures and organizations capable of realizing business strategy.

The Financial and Investment Field: Performance of these tasks will require the programmatic development of proposals which will provide mechanisms:

- for granting state guarantees in order to attract various types of investment resources to programs and projects developed by FIGs which are effective and are of great economic significance;
- for stimulation of FIGs' own investment activities, including greater interest on the part of commercial banks in increasing the proportion of medium-term and long-term lending for industrial projects;
- for ensuring financial discipline, accounting and reporting both by financial-industrial groups and by individual enterprises within FIGs;
- for ensuring a financial interest for financial and lending institutions to take part in FIG operations;
- for assistance to regional privatization centers and funds with their selection of investment support for FIG enterprises.

Foreign Economic Support: In order to aid in the establishment of financial-industrial groups with participation both by Russian enterprises and enterprises and organizations in the CIS and Baltic countries, the Program envisions the conclusion of intergovernmental agreements, including long-term ones, aimed at improving the situation with regard to resource support for FIG enterprises. Also planned is development of documents on the establishment of mixed FIGs with foreign participation.

Information Support: Toward this end there are plans to create a system of comprehensive information support for FIG establishment, including creation of databases.

Registered Financial-Industrial Groups

Name	Type of Operations	Number of Enterprises, Including:				Location of Members
		Total	Industrial Enterprises	Research Institutes and Design Bureaus	Financial/Lending Institutions	
1. Uralskiye zavody (Izhevsk)	telecommunications equipment, communications systems, medical equipment, trunk data transfer lines, equipment for development of the agro-industrial complex	20	12	1	3	Izhevsk; Sarapul; Glazov
2. Sokol (Voronezh)	RISC computer processors, VCRs and video systems, Il-96 and Il-96T aircraft	22	18	1	3	Voronezh, Kursk, Yekaterinburg, Kostroma Oblast
3. Dragotsennosti Urala (Yekaterinburg)	gold ore enrichment technology, vat leaching, jewelry manufacture, pneumatic parts stamping, computer systems	9	3	—	3	Yekaterinburg; Moscow

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Registered Financial-Industrial Groups (Continued)

Name	Type of Operations	Number of Enterprises, Including:				Location of Members
		Total	Industrial Enterprises	Research Institutes and Design Bureaus	Financial/Lending Institutions	
4. Ruskhim (Moscow)	agricultural sector, machine building, food industry and light industry, consumer goods	21	11	3	3	Moscow; Dzerzhinsk, Berezniki; Altay Kray; Stavropol Kray
5. Sibir (Novosibirsk)	manufacture of semiconductor instruments, automotive electronics, portable power supplies and fuel pumps, mini-mills for household waste processing	16	3	1	2	Novosibirsk, Novosibirsk Oblast

Status of Regional Loans, Securities Viewed

954E0180C Moscow ROSSIYSKAYA GAZETA
in Russian 12 Nov 94 p 10

[Article by Svetlana Lyapina, observer for the bulletin RYNKI CAPITALOV: "Regions Actively Taking Loans; Will Regional Securities Be Recognized as State Securities?"]

[FBIS Translated Text] The formulation of the budget for 1995 and the summary of the 1994 fiscal year forces the Russian government to seek new sources of budget revenues. Therefore, it is no accident that, at a recent government meeting, the question of the status of municipal loans, which have become widespread in the last year-and-a-half in the Russian regions, "surfaced" once again.

The interest of a rather large number of investors who have invested their funds into regional bonds is quite understandable: The income received from state securities is not taxable. Even quite recently, representatives of the administration stated with complete confidence that, "since, according to the constitution, we are a subject of the federation, our property is state property, and therefore the securities issued under the guarantee of a subject of the federation are also state securities." The former leadership of the RF [Russian Federation] Ministry of Finance also agreed with this.

The current doubts of the government stem largely from the rather weak position of GKO [state credit obligations (bonds)]. Already today, three weeks after the first attempt to distribute GKO with repayment term of 12 months, independent experts have some doubts regarding the possibility of their repayment from the budget with a yield, according to the results of the first auction, at a level of 450 percent per annum. Therefore, the leadership of the Minfin [Ministry of Finance] is also exhibiting caution. In case of insolvency of the local administrations, the holders of the bonds will demand the repayment of their funds from the federal budget, or at the expense of federal property.

The lack of clarity in the legislative definition of the status of securities and the possibility of interpreting the tax legislation "in one's own favor," have given rise to loans of a specific type in Russia—loans issued by regional administrations aspiring to state status.

Nizhniy Novgorod. The Nizhniy Novgorod Oblast loans are being circulated by decision of the oblast administration, which is constantly emphasizing their state status. At

the present time, a prospectus for emission of already a third (housing) loan in the sum of 80 billion rubles (R) is in the stage of registration. Distribution of several emissions of the second loan (for investment in the most profitable enterprises and sectors of the oblast) in the sum of R100 billion has been concluded, and bonds from the first emission in the sum of R7.3 billion are successfully being repaid. The term of circulation of the bonds is 1 year, with quarterly payment of interest. The bonds are in coupon form (with tear-off coupons), payable to the bearer, at a face value of R50,000, R200,000 and R1 million.

Analyzing the experience of circulation of bonds from the second loan, experts have noted specifically that, "in practice they did not have time to select the projects, and therefore the monetary funds which were attracted for 0.7 of the CF [Central Bank] refinancing rate were immediately placed in deposits at the leading banks at 0.85 of the CB rate."

Yaroslavl. The prospectus for emission in Yaroslavl was registered in the sum of R30 billion (to reduce the oblast budget deficit and to support socially oriented projects). The bonds are issued in paper form, and printed in a printing-house outside the boundaries of Russia. The distribution of the bonds is to be held through auction trading sessions to reduce the interest rate. To stimulate the distribution of the bonds, their holders are given priority in review of applications for the right to lease municipal buildings and granted benefits on certain types of local taxes. The bonds are accepted as a means of payment in acquisition of municipal property.

It is still too early to speak about the success of this loan. However, certain miscalculations are already now apparent. Thus, for example, while the main emphasis was placed on legal persons, it is unclear why "paper bonds" should be placed into circulation, when there is the opportunity of electronic management of the register. Also, the alienation of a significant portion of potential investors among individuals due to the very high face value evokes puzzlement, at the very least, among numerous independent experts.

Perm. The oblast loan bears the form of the ODO (oblast debt obligations), which are recognized by Minfin as state securities. ODO are short-term bonds (maturity in 63 days). The structure of the loan is fully analogous to the

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GKO (agents—applications for auction trading sessions—auction—income in the form of discount—tax benefits). The face value of the ODO is R100,000. The results of the first auction (ODO in the sum of R4 billion were offered) provided 193 percent per annum (average weighted price 86.19 percent for a term of 63 days). Moreover, the demand exceeded the supply by R660 million. It is true, at that time credits on the market cost around 130 percent. This means that the reputation of the Perm administration as a borrower of funds is worse than that of the average commercial bank. And under conditions of growth in yield of the Minfin GKO, the November auction of Perm bonds was in fact a failure.

Republic of Komi. The first experience in work with loans was acquired in 1993. In April of 1993, the administration of the city of Syktyvkara distributed, in the form of private closed subscription, bonds with a face value of R1,000 for a sum of R375 million, with a term of 1 year. The bonds were distributed with a discount at a price of R670, which ensured their yield—around 150 percent per annum. Aside from the income from growth in value of the bonds, by their maturity their holders could obtain apartments which were being raffled off for the bonds. The guaranteed profitability and attractiveness of the prize fund ensured the full distribution of the loan, and the effective utilization of the attracted funds. They were used to build and sell at auction a multi-apartment house—in the promised time and under guaranteed conditions of loan repayment.

The success of the first loan and the experience gained from it led to the fact that, in January of 1994, the prospectus for emission of a loan by the city of Syktyvkara was registered in Minfin, and in May of 1994—a loan by the city of Ukhta. Both loans attract R10 billion each for a strictly defined purpose—for housing construction, and have a long term of repayment—6 years.

At the present time, conditions have not yet been formulated for long-term investment of funds. Therefore, the attracted resources are being invested not into new construction, but into the completion of previously frozen facilities. Part of the housing which is built remains under the management of the city administration for provision of persons on waiting lists from all preferential categories.

In summary, we should emphasize that the positions of the Ministry of Finance and the regional authorities on loans will always be diametrically opposed to each other. First of all, Minfin GKO and regional loans are direct competitors in the struggle for the funds of investors. Secondly, the local administrations are interested in reducing the taxation on their loans, since this also increases their attractiveness. However, Minfin has an opposite interest—to get more funds into the budget. Thirdly, Minfin does not want to answer for the obligations of subjects of the federation, yet the latter have an acute need for "state" status, because at the present time they still do not have the image of reliable borrowers.

We can understand the Ministry of Finance. Today there is a real danger that many regional administrations, in their effort to quickly resolve the problems which are facing them, will get tangled up in debt. Although the overall sum of regional loans comprises only a few percent of the the volume of the GKO market.

Restrictions in Financial-Industrial Group Program Deplored

954E0180B Moscow ROSSIYSKAYA GAZETA
in Russian 12 Nov 94 p 11

[Article by Vsevolod Kulikov, doctor of economic sciences: "FPG: No More Than Three May Gather; Draft Law on FPG Limits Attraction of Bank Capital"]

[FBIS Translated Text] On 5 December 1993, the Edict of the President of the Russian Federation No 2096, "On the Creation of Financial-Industrial Groups (FPG) in the RF [Russian Federation]," was adopted. It also ratified the statute, "On Financial-Industrial Groups and the Procedure for Their Creation." Within such a framework, the government also prepared a program for promoting FPG (see VR for 29 October 1994). At the same time, the draft law on FPG may significantly change the ideology of reforming industry.

On the background of the edict and the statute, the draft law differs favorably, primarily in terms of the government support in formulation of the FPG. The most significant points in this draft law are that the FPG is interpreted as a consolidated taxpayer, a special regimen of customs duty taxation of foreign economic activity is introduced, and a number of state guarantees are established.

But is all this enough for the document to aspire to the status of a law?

To answer this question, it is necessary to consider the following circumstances:

- 1) The FPG is not simple a production association (we already went through this in the 60's!), but a merging of bank and industrial capital. FPGs are large integral structures in which financial institutions play no less of a role than industrial ones. Moreover, FPGs are formed for specific projects, aimed at the development, production and sale of competitive products.

The emphasis on these moments is not presented in proper measure, neither in the draft nor in the effective legislation. Moreover, all those limitations are retained which hinder the formation of real groups (not by the signboard, but in essence). Thus, the limitation of the relative share of credit-finance institutions or investment institutions in the group to 10 percent of the shares in any FPG-participant enterprise does not open, but rather closes, the way for bank capital to get into production, since he who invests his funds naturally wants to control the way in which they are used. With the above-mentioned share, such control, as a rule, is impossible, and it would be expedient to increase it to 20-25 percent.

In just the same way, the limitation on participation in the FPG by holding companies whose material assets comprise less than 50 percent of their capital structure, also closes the way for finance institutions to enter into industry.

The draft also retains the limitations on the size of the FPG (number of enterprises among its participants not to exceed 29, number of persons employed at each of them not to exceed 20,000 persons, with a total number of

persons employed at all the enterprises in the group not to exceed 100,000 persons). Due to these limitations, Russian FPGs are doomed to be dwarfs, which in many ways will close off their prospects of confidently entering the world market where, as we know, giants rule.

The draft also reproduces the prohibition on cross-ownership of stock, which also serves as a significant obstacle to the formation of an FPG of the current type.

- 2) The Western economy is based on the private and mixed forms of ownership. Among the latter is also state-private ownership, which is necessary also for the Russian economy. This may be denied only by those who favor the total liquidation of state ownership, or its reduction to a limited number of public enterprises. And so, the draft retains the obstacles to participation in the FPG by structures whose relative share of state ownership exceeds 25 percent.
- 3) Current legislation allows (and this is good) the formation of de-facto FPGs, which are not called FPGs, not entered in the state FPG register, and which thereby by-pass the prohibitions and limitations about which we have spoken earlier. There are already several tens of such de-facto groups which are functioning successfully, not in name but in essence. With consideration of this circumstance, the adoption of the law, "On Formulation of the FPG," is justified, first of all, if it removes or significantly reduces those prohibitions and limitations on the formation of the FPG which are contained in the effective legislation and, secondly, if it significantly increases the incentives for formation of FPGs.

New Presidential Aide Livshits on 95 Budget, Economic Reform

954E0180A Moscow ROSSIYSKAYA GAZETA
in Russian 12 Nov 94 p 2

[Article by A. Yevgeniyev: "Aleksandr Livshits: I Favor Active Reforms"]

[FBIS Translated Text] **Draft Budget-95 may be taken as the principle, and work on it continued—so believes the presidential aide.**

"I am a staunch supporter of active reform, and the faster it is concluded, the better it will be for all of us." That is how the new aide to the President of Russia, the 48-year old doctor of economic sciences Aleksandr Livshits, who formerly headed a group of experts in the Yeltsin administration, defined his credo at a meeting with journalists.

In the words of Livshits, there is nothing worse for the population and for the economy than runaway inflation. However, in a country such as Russia, we also cannot hurry and get ahead of ourselves. In this connection, the new aide expressed doubt about the realistic nature of the draft budget for 1995, specifically that part of it which sets the goal of bringing the huge budget deficit down to zero in just a few months. In the opinion of Livshits, this would require no less than 3 years. In the first year we could reduce the 75-percent financing of the budget to, say, 40 percent. In the second—from 40 to 20 percent, and in the third—from 20 to 0. Nevertheless, the current draft is quite suitable to be

taken as the principle, with the condition that work on it be continued. There is no sense in engaging in the composition of semi-amateurish variants.

Characterizing the reformulations in the government, Livshits stated that he is particularly pleased with the appoint of Yevgeniy Yasin to the post of Minister of Economics, noting that he is not only a professional of the highest calibre, but also a man who possesses a rare gift for uniting people around him.

The new presidential aide announced that he would like to return to one of his former ideas—the creation of a commission on strategic planning, for which both the cadres and the technical base already exist. Already next week, he intends to meet on this subject with First Vice-Premier Anatoliy Chubays. Livshits himself compiled a list of possible errors of power comprised of 10 points, which the cabinet could avoid with the aid of a series of preventive measures. But as a start, it is necessary to recognize the nature and danger of these errors.

In response to the question of what his first advice would be to the president, Livshits answered: "In any case, not to take a drastic change of course."

Statute on Nuclear Power Station Equipment

Text of Statute

954E0170A Moscow ROSSIYSKIYE VESTI in Russian
10 Nov 94 p 4

[Statute of the Russian Federal Oversight of Nuclear and Radiation Safety: "On the Procedure for Issuing Temporary Special Permits and Organizing Control Over the Design and Manufacture of Equipment, Pipelines, Instruments and Apparatus for Nuclear Power Facilities," registered with the Russian Federation Ministry of Justice on 13 September 1994, Registration No 583; Ratified by decree No 81, dated 30 June 1994; Implemented as of September 1994. RD-03-18-94]

[FBIS Translated Text]

1. General principles

- 1.1. The present statute is the guideline document of the Gosatomnadzor of Russia [Russian Federal Oversight of Nuclear and Radiation Safety] regulating the procedure for issuing temporary special permits (henceforth, permits) to perform work associated with the design and manufacture of units, systems, vessels, pipelines, instruments and apparatus (henceforth, equipment) for nuclear power plants [NPP] with water-cooled and water-graphite reactors, rapid neutron power reactors with liquid metallic heat vehicles, and units with experimental reactors, and also for establishing the procedure of control over the manufacture and design of equipment.
- 1.2. Issuance of permits (in accordance with the Statute of the Russian Federal Oversight on Nuclear and Radiation Safety), accompaniment of the permits (control over the design and manufacture of equipment, as well as adherence to requirements of the

regulations and standards presented in the "List of Basic Standard-Technical Documents (NTD) used by Gosatomnadzor of Russia in Regulation and Control Over Safety During Production, Handling and Application of Atomic Energy, Nuclear Materials, Radioactive Substances and Products Made From Them" (P-01-01-92), and to project-design and production-technological documentation) is performed by inspectorates, joint and okrug inspectorates and okrug administrations.

- 1.3. Methodological and technological management of work on oversight and issuance of permits for the design and manufacture of equipment is performed by the Administration on Organization of Expert Safety Evaluations of the Gosatomnadzor of Russia.
- 1.4. The present statute is mandatory for fulfillment by all officials and engineering-technical workers engaged in the design and manufacture of equipment, as well as by officials of Gosatomnadzor of Russia.
- 1.5. The present statute shall remain in effect until the ratification and implementation, in accordance with the established procedure, of statutes on issuance of licenses for the corresponding types of activity by the Gosatomnadzor of Russia.

2. Issuance of permits for design of equipment by enterprise design subsections

- 2.1. Issuance of design permits is performed in accordance with the "Statute on the Procedure for Issuing Temporary Special Permits for Planning (Designing) Nuclear- and Radiation-Hazardous Facilities and Productions (Technologies)" (RD-03-14-94), ratified by order of the Gosatomnadzor of Russia dated 7 April 1994, No 42.
- 2.2. Control over the design subsections must be implemented with consideration for the "Statute on Organization of Control Over the Development of Project Planning and Design Documentation for Nuclear Power Facilities, Equipment and Products for Them" (RD-4-1), ratified by USSR Gosatomenergondzor [USSR State Committee for Oversight of Nuclear and Radiation Safety] on 27 January 1989, No 2, or the document issued in place of RD-4-1, and must be carried out by means of performing inspections.
- 2.3. Inspections must be performed in the presence of officials authorized for this purpose by the head of the design organization.
- 2.4. In the course of the inspections, it is necessary to verify:
 - adherence to the NTD [scientific-technical documentation] and technical assignments by means of random sampling of the documentation being developed by the organization;
 - fulfillment of previously issued instructions and notations;

- procedure for dealing with complaints and design defects discovered in the course of manufacture, installation and operation, and implementation of measures for their timely correction;
 - organization of author's oversight, standards control and metrological expert evaluation;
 - adherence to the established procedure for verifying the knowledge of workers engaged in the design of the equipment which is being inspected;
 - quality of formulation of design documentation in regard to its specification of technical requirements, utilized materials and complement goods, methods and volumes of control, completeness of initial data for computation of durability, presence of signatures of standards controllers and responsible persons on the blueprints;
 - procedure and timeliness of introducing changes into the design documentation;
 - content of current correspondence on technical questions.
- 2.5. Results of inspections are formulated by statute-directives compiled in triplicate, one copy of which is given to the head of the design organization, another to the okrug administration, and the third remaining at the inspectorate (Appendix 8).

Procedure for issuing a temporary special (general) permit to an enterprise for the right to manufacture equipment, and for issuing a permit to manufacture specific equipment

- 3.1. A temporary special (general) permit for the right to manufacture controlled equipment is issued to the manufacturing enterprise by the okrug administration, provided the enterprise has the capacities for fulfilling this work with adherence to the rules and standards of Gosatomnadzor of Russia and in full accordance with the requirements of the scientific-technical documentation.
 - 3.1.1. Complaints regarding the agencies of Gosatomnadzor of Russia performing the review of the application for receipt of a permit according to point 3.2 are submitted by the enterprise and addressed to the chief of the okrug administration. Those reviewed according to point 3.1 are addressed to the chairman or deputy chairman of Gosatomnadzor of Russia.
 - 3.1.2. In order to obtain a temporary special (general) permit, the enterprise must submit the following to the okrug administration:
 - 3.1.2.1. A copy of the enterprise charter and copies of documents on state registration of the enterprise.
 - 3.1.2.2. An application with indication of the name and designation of the equipment,

its technical description, and planned volume of output (Appendix 1).

- 3.1.2.3. Certification of the presence of production conditions at the enterprise necessary to ensure manufacture of the equipment in full accordance with the requirements of the design documentation and other NTD, as well as the rules and standards of Gosatomnadzor of Russia.

- 3.1.2.4. The certification must indicate information and documents defining:

- the list of rules, standards and instructions whose requirements are taken into consideration in manufacturing the controlled equipment at the enterprise;
- the procedure for assimilation of production of the equipment adopted at the enterprise;
- the procedure for handling the design documentation;
- the procedure for developing technological documentation for manufacture and control, as well as its introduction and job provision;
- the nomenclature of the reporting and accounting documentation in effect at the enterprise, including on operational control, and the order of its formulation;
- metrological provision of production;
- complementation of technological equipment, means of testing, accessories and adjustments, laboratory instruments and measurement instrumentation;
- procedure for acceptance control, storage and placement into production of materials and complement parts, with indication of the form of acceptance on them;
- procedure for handling claims and complaints about the quality of equipment, and for implementation of measures for timely correction of defects discovered in the process of operation of equipment and prevention of their recurrence in the future;
- procedure for training, verifying knowledge, certifying, clearing for work and accounting for all categories of workers associated with the manufacture and quality control of equipment;

—presence of programs for quality provision in accordance with the "Requirements for the Program of Quality Assurance for Nuclear Power Plants" (PNAZ G-I-028-91), ratified by USSR Gospromatomnadzor Statute No 13, dated 31 October 1991.

- 3.1.3. The application and certification must be signed by the manager or chief engineer of the enterprise, and verified with the official seal.
- 3.1.4. Upon receipt of the application and certification, the okrug administration organizes their review. The duration of the review may not be longer than 15 days. If the required nomenclature of the documents does not correspond to point 3.1.2, or if there are shortcomings in their formulation and content, the application is rejected and the documents are returned to the enterprise.
- 3.1.5. In the absence of comments on the content and volume of the submitted information, for the purpose of its on-site verification the okrug administration organizes an inspection of the enterprise which is to be issued the temporary special (general) permit.
- 3.1.6. The inspection is performed by a commission appointed by the okrug administration, in the presence of the chief engineer of the enterprise, the chief of the OTK [department for technical control] and (or) persons appointed by order of the enterprise.
- 3.1.7. The results of the enterprise inspection are formulated in a statute-directive (Appendix 8), completed in triplicate. One copy is given to the manager of the enterprise, the second is kept at the okrug administration, and the third—at the inspectorate controlling the enterprise. The statute-directive must present a conclusion as to the possibility of issuing a temporary special (general) permit for manufacture of equipment, or must specify conditions under which it may be issued.
- 3.1.8. After correction of the notations made in the statute-directive (if such are present) and upon repeat application by the enterprise, the okrug administration formulates a temporary special (general) permit for the right to manufacture the controlled type of equipment, which is valid for a period of up to 5 years (Appendix 2).
- 3.2. A permit for the right of the enterprise to manufacture a specific nomenclature description of equipment or group of equipment manufactured according to a specific set of design documentation, standard or technical conditions (TU), is issued if the enterprise possesses a temporary special (general) permit issued by the inspectorate implementing control at the given enterprise, provided the enterprise has the means, capacities and conditions for their manufacture with

adherence to the rules and standards, and in full accordance with the requirements of the design and technological documentation and the NTD.

3.2.1. In order to obtain a permit (according to point 3.2.), an enterprise must submit the following to the inspectorate:

3.2.1.1. An application indicating the name of the equipment, the contract specifying the times and volume of manufacture, delivery conditions, complementation, and confirmation of financing; verification of the performance of an expert evaluation in accordance with the "Statute on Organization and Implementation of an Expert Evaluation of Project and Other Materials and Documents Substantiating the Safety of Nuclear and Radiation-Hazardous Facilities (Products) and Productions (Technologies)" - RD-03-13-94, and the number of the temporary special (general) permit for the right of manufacture (Appendix 3).

3.2.1.2. The set of design documentation consisting of:

- specifications;
- sketches (the master sketch must bear the notation of the Gosatomnadzor of Russia inspectorate implementing control over the development of the working documentation, confirming that the design work was performed under oversight);
- technical conditions or standards;
- program and methodology of standard testing;
- computation of durability (at the requirement of the inspection);
- program of quality provision;
- program of quality control;
- technical description;
- instructions on conservation, packaging, transporting, loading, unloading, warehousing and storage, if such information is not contained in the design documentation;
- instructions on installation and operation;
- completed copy of passport (form).

3.2.1.3. The set of technological documentation for manufacture and control, as well as:

- sample forms of accounting and reporting documents;
- schedules of inspection and certification of the means of technological provision;
- copies of orders on examination and certification commissions;
- set of documents defining the methodology and volumes of operational control;
- certification of the availability of workers who have passed a test of knowledge and certification, including welders, as well as defectoscope specialists, with indication of their certification of clearance for work on the appropriate types of control (Appendices 5, 6, 7);
- schedule of performing standard testing of equipment.

3.2.1.4. The submitted documentation must be reviewed within a period of 15 days. In the course of review of the documentation, an analysis of its completeness and correspondence to requirements of the rules, standards and NTD is performed. In the case of positive results of the documentation review, an inspection of the enterprise is performed for the purpose of confirming the conditions for manufacture of the equipment indicated in the application.

3.2.1.5. The management of the enterprise must familiarize inspectorate representatives with correspondence conducted with the enterprise developing the equipment, the contractor or other organizations on questions of complaints, quality, testing, updating, etc. of the equipment.

3.2.1.6. If necessary, the inspectorate organizes an expert commission to evaluate the set of design documentation of the technical project or working documentation in accordance with RD-03-13-94.

3.2.2. The inspection is performed by the commission under the supervision of the chief of the inspectorate and in the presence of the chief engineer of the enterprise and the chief of the enterprise OTK and (or) the officials appointed by order of the enterprise.

3.2.3. The program of investigation is compiled by the inspectorate of the Gosatomnadzor of Russia. In the process of conducting the investigation, the inspectorate may not raise other questions which are not specified in the program.

3.2.4. If violations are discovered, the results of the investigation of the enterprise are formulated in a statute-directive.

3.2.5. If the results of the inspection are positive, the inspectorate issues a permit for manufacture of the equipment specified in the application. The form of the permit is presented in Appendix 4. If the results of the investigation are negative, the statute-directive (Appendix 8) presents a substantiated refusal to issue the permit for manufacture.

3.2.6. The permit is registered by the inspectorate in a special log on issuance of permits. A copy of the permit or the statute-directive is forwarded to the okrug administration.

3.3. Re-formulation of the permit is required in the following cases.

3.3.1. Upon implementation of new regulations, standards or technical conditions (TU), as well as upon change in the operating parameters of the equipment.

3.3.2. Upon updating the manufactured equipment, with application of design documentation of the new designation.

3.3.3. Upon expiration of the term of effectiveness of the previously issued permit.

3.3.4. Upon change in conditions of manufacture of the products.

3.3.5. If there is an interruption in manufacturing lasting longer than 1 year.

Note. Introduction of changes into detailed sketches (replacement of materials, change of methods and volumes of control, change in design dimensions, change in design of assemblies, etc.), as well as changes in the TU are performed in the established order and do not require reformulation of the permit.

Notification of a change in the effective TU, amended technological instructions and altered working design documentation must be forwarded to the inspectorates for their verification of correspondence to the requirements of rules, standards, NTD and guidelines on control work.

3.4. In order to re-formulate the permit, an enterprise must submit an application analogous to point 3.2.1.

3.5. If there are no comments by the inspectorate officials regarding the submitted documentation, the inspection is performed. If the results of the inspection are positive, the enterprise is issued a permit for the right of manufacture for the following term.

Note. If no serious shortcomings were found during the last inspections of the enterprise, then the permit may be issued without an inspection.

3.6. All permits for manufacture of equipment must be registered by the okrug administration and the inspectorate.

3.7. In order to receive a permit for the right to manufacture an experimental prototype of equipment, in addition to the documents specified in point 3.2.1., the program and methodology of testing the experimental model must also be submitted.

If the results of review of documentation and inspection of the enterprise are positive, the okrug administration issues a permit for the manufacture of experimental, experimental-industrial or pilot models for only one unit of the nuclear power station, if the performance of testing according to GOST [State All-Union Standards] 15.001 or GOST 15.005 is provided at the nuclear power plant.

3.8. Issuance of a permit for finishing work on non-transportable equipment.

3.8.1. In performing finishing work on equipment at a nuclear power plant through the efforts of the manufacturing enterprise, no additional permit is required for the finishing work. The inspectorate of the Gosatomnadzor of Russia must be informed about the start of finishing work at the nuclear power plant.

3.8.2. When performing finishing work on equipment through the efforts of a specialized installation organization hired by the enterprise, the permit for performing the finishing work is issued to this organization by the district administration on whose territory the nuclear power plant is located, upon request of the NPP management.

3.9. Issuance of a permit for the manufacture of assemblies or elements of equipment manufactured by the enterprise on a cooperative basis for other enterprises, is performed in accordance with the procedure specified by the present statute.

3.10. Issuance of a permit for the manufacture of spare parts is performed according to newly developed documentation, as well as according to documentation previously in effect in the manufacture of the equipment, except in the case when their manufacture is performed according to a NTD which does not contradict the requirements of the rules and standards in effect at the moment of manufacture.

3.11. Finishing work or repair on equipment which is not in operation performed through the efforts of the manufacturing enterprise may be performed only with the permission of the inspectorate assigned to the given enterprise.

4. Control over manufacture of equipment

4.1. Control over the manufacture of equipment and over adherence to the rules, standards and NTD at the enterprises in accompaniment to the issued permits is performed by the regional agencies of Gosatomnadzor of Russia by means of:

—inspection of production;

—technical certification of the manufactured equipment;

—inspection of equipment and systems.

- 4.2. Inspections of production must be performed in the presence of one of the management workers of the enterprise or persons appointed by directive of the enterprise.

Associates of the okrug administration or their authorized persons may participate in the inspections. At the decision of Gosatomnadzor of Russia, a team of inspectors from other okrugs may be brought in to perform these inspections.

- 4.3. During the inspection, a selective verification of the following must be made:

- presence of documentation and actual conditions of its fulfillment in accordance with point 3.2.1.1.;
- presence of a means of handling complaints and timely implementation of measures by the enterprise for correcting the identified shortcomings in the manufactured equipment, as well as in previously produced equipment;
- fulfillment of directives previously issued by agencies of Gosatomnadzor of Russia;
- correspondence of the issued permits to the product description of the manufactured equipment;
- correspondence of utilized primary and welding materials, and volumes and methods of control, to the requirements of rules, standards and NTD, including the verification of certificate data;
- correspondence of the actual technological manufacturing process to the requirements of rules and standards, GOST and OST [All-Union Standards], STP [standards of technical production] or technological instructions, including verification of regimens of welding, soldering, drying, impregnation, heat treatment processes, etc. at various stages of production. This verification must be performed during the review of the reporting documentation, as well as directly at the job site;
- organization of implementation of non-destructive control (quality of x-ray film, various solutions, procedure of their preparation, storage and issuance, availability and certification of control instruments, etc.);
- selection, preparation, and procedure for accounting and testing of control samples;
- complementation and adherence to the established work regimen of the OTK [technical control department] at all stages of manufacturing;
- procedure for training and periodic testing of the knowledge of welders and defectoscope operators, introduction of documentation control of work of welders and personal seals, procedure for verifying knowledge of rules, standards and NTD among management workers and ITR [engineering-technical workers];
- possession of certifications by ITR and workers, correspondence of signatures in these certifications to the work actually performed, adherence to times of verifying knowledge;

—knowledge by enterprise workers of rules and NTD relating to their activity.

- 4.4. Based on the results of the inspection, the statute-directive is formulated in triplicate. One copy is forwarded to the manager of the enterprise for execution, and one copy each goes to the okrug administration and the inspectorate (Appendix 8).

- 4.5. Technical certification.

- 4.5.1. Every unit of manufactured equipment, instruments and products to which the effect of the regulations whose requirements are controlled by the agencies of Gosatomnadzor of Russia is subject to technical certification. Individual assemblies and elements of equipment which due to their design specifics cannot be examined in the finished manufactured equipment must be subject to technical certification.

- 4.5.2. No later than three days prior to the technical certification, the enterprise shall inform the inspectorate of Gosatomnadzor of Russia about its readiness for conducting the technical certification. By agreement with the inspectorate, the term of notification may be changed. The confirming document testifying to the manufacture of the equipment and its adoption by the technical control department (OTK) is the "Submittal notice" (in duplicate) of the specified form (Appendix 9), signed by the shop foreman and the chief of the OTK. The inspector enters his conclusion as to the results of the certification on the submission note.

One copy of the note is given to the enterprise, and the second is kept at the inspectorate (or by the inspector).

- 4.5.3. Technical certification during manufacture includes:

- verification of the documents characterizing the quality of manufacture of the equipment;
- internal and external inspection of the equipment before and after hydraulic testing;
- hydraulic (pneumatic) testing of equipment, if it is specified by the regulations or NTD;
- other tests performed when submitting equipment, if they are specified by the TU.

- 4.5.4. If the results of document verification are satisfactory, the inspector performs an internal and external examination of the equipment in conjunction with the OTK.

- 4.5.5. If the results of the examination by the inspector and the OTK are satisfactory, hydraulic testing is performed.

- 4.5.6. During technical certification of fully manufactured equipment, the inspector must familiarize himself with the completely formulated passport (certificate of manufacture) of the form established by the regulations.

Upon satisfactory results of the technical certification, the inspector enters in the passport of the equipment, under the column marked "Indication of results of certification" (or in another document certifying the quality of manufacture and used in place of the passport) the results of examination of the equipment, the date, his signature and his personal stamp.

4.5.7. In the case of unsatisfactory results of the technical certification, or in the case of a motivated rejection of it (for example, based on results of review of the documentation), subsequent certification may be performed only in accordance with the submittal notice (Appendix 10), and with an order for analysis of the reasons for emergence and correction of the defects (Appendix 14).

4.6. Inspection of equipment and systems.

4.6.1. Inspection of equipment and systems is a form of control over the quality of manufacture of equipment and systems subject to oversight, which provides for the control of their correspondence to requirements of design and technological documentation at any stage of manufacture.

4.6.2. The procedure for inspection of specific equipment and systems is defined by the "volume of inspection", developed by the inspectorate and ratified by the okrug administration. The ratified "volume of inspection" is forwarded to the enterprise.

For equipment to which the effect of PNAE [not further identified] G-008-89 applies, the volume of inspection must include, along with other operations, also a technical certification of the equipment.

4.6.3. Inspection of the equipment and systems is performed according to the "Submittal notice" (Appendix 11) and the "Interim submittal notice" (Appendix 12), in accordance with the "volumes of inspection."

The submittal notices are forwarded to the representative of the plant inspectorate of Gosatomnadzor of Russia, as a rule 24 hours prior to submission of the product.

4.6.4. At the time of filing the "Interim submittal notice," the following documentation must also be submitted:

- technical or technological passport, measurement cards, etc.;
- certificates (or their copies), records of laboratory tests;
- records of tests and other documents according to which manufacture and control of the inspected equipment are performed.

4.6.5. Results of the inspection of a part, assembly unit or equipment are reflected in the submittal notice by the notation of "corresponds" or

"does not correspond" to the requirements of the NTD, and signed by the inspector performing the inspection.

4.6.6. If the results of the inspection are unsatisfactory, subsequent submittal is permitted only in the presence of a "Repeat notice of submittal" (Appendix 13), signed by the chief engineer (technical director) and the chief of the enterprise OTK. At the same time, a "Statute on analysis of emergence and correction of defects" (Appendix 14) must also be submitted. The statute must show the reasons for appearance of the defects or poor quality fulfillment of various operations, etc., and indicate the measures which were taken to prevent recurrences of such cases in the future.

4.6.7. The "Submittal notice" for the finished equipment must have appended to it a document confirming that all operations in the "volume of inspection" for the given equipment were submitted to the inspectorate of Gosatomnadzor of Russia.

4.6.8. The passports (certificates of manufacture) on the equipment must have a notation signed by the inspector performing the inspection, certifying that the equipment corresponds to the requirements of the NTD. The inspector's signature is certified by the inspection seal.

In passports (certificates of manufacture) on equipment whose inter-departmental testing must be performed at the NPP, the inspector makes the notation, "inter-departmental testing not performed."

4.7. The inspectorates must perform ongoing work on analysis of information regarding failures and defects of equipment, on the basis of which the manufacturing enterprise is issued instructions on the need for developing and implementing measures aimed at improving the quality of the controlled equipment which is being manufactured.

4.8. Heads of regional agencies of Gosatomnadzor of Russia, in the presence of systematic violations during manufacture of equipment, have the right to invalidate the permit for manufacture. At the decision of the okrug administration, the temporary special (general) permit for the right to manufacture or the permit for the right to manufacture may be recalled.

4.9. Decisions of the management and directives issued by the complement of inspectors of Gosatomnadzor of Russia may be appealed in the judicial organs. Filing a complaint does not stop the effect of the adopted decision or directive.

Order on ratification of statute

954E0170B Moscow ROSSIYSKIYE VESTI in Russian
10 Nov 94 p 4

[Gosatomnadzor of Russia Order No 81: "On Implementing the Statute on the Procedure for Issuing Temporary Special Permits and Organizing Control Over the

Design and Manufacture of Equipment, Pipelines, Instruments and Apparatus for Nuclear Power Facilities," signed by Gosatomnadzor of Russia Chairman Yu. G. Vishnevskiy on 30 June 1994]

[FBIS Translated Text] I do hereby order:

1. That the appended "Statute on the Procedure for Issuing Temporary Special Permits and Organizing Control Over the Design and Manufacture of Equipment, Pipelines, Instruments and Apparatus for Nuclear Power Facilities" shall be ratified (RD-03-18-94).
2. That the "Instructions on Oversight of Design and Manufacture of Equipment (Pipelines), Instruments and Manufactured Articles for Nuclear Power Facilities" (RD 5-1), ratified by USSR Gosatomenergo-nadzor statute No 8, dated 30 May 1989, shall no longer be effective (on the territory of Russia).

[Signed] Chairman of Gosatomnadzor of Russia
Yu. G. Vishnevskiy

Changes in Taxation System Advocated

954E0166 Moscow IZVESTIYA in Russian 1 Nov 94 p 5
from *Finansovyye Izvestiya Supplement No 53*

[Article by Sergey Shatalov, Federation Council expert:
"There Will Be No Tax Revolution in Russia: Russian Tax
Reforms Should Be Gradual"]

[FBIS Translated Text] Tax reform is not only merely imminent, it is already late in coming. It should be a question, however, of continuing the reform begun in January 1992 (at that time, without sufficient study and preparation). Suffice to say that formerly, the speed record for introducing (time to prepare plus the time "to get used to it") value added tax—two years—belonged to Chile in the days of Pinochet. It took Russia considerably less time to change the tax system completely.

The time has come to abandon the practice of patching up holes and to take a number of important and decisive steps. Despite the resoluteness of these steps, the evolutionary path of development should nevertheless be mentioned. Not only should the basic structure of the existing taxes be preserved, but Russia's tax system should continue to come closer to the tax systems of other states.

Its distinctively Russian path actually abolishes all the international agreements on avoiding double taxation and turns Russia into a forbidden zone, closed to foreign investments.

The Powers of the Authorities

The most urgent problem is that of interbudgetary relations, of determining the sources of shaping the budgets of all levels and the powers of authorities of various levels to establish taxes.

The six months experiment in the effect of the presidential edict which granted regional and local organs of authority the right to establish any taxes in any amounts clearly demonstrated that the gloomiest predictions are being realized. Russia's unified economic area has begun to fall to pieces before our very eyes, as the result of introducing,

at the sites, unique internal entry fees and customs duties, taxes to export capital outside the limits of the oblast or republic and attempts to "export" their taxes to other regions.

We should therefore return to the old system, in accordance with which regional and local authorities are granted the right to introduce or not to introduce a sufficiently limited number of taxes of a fully defined type, and maximum rates are established for these taxes. We must examine the lists of these taxes, rejecting the numerous fixed charges, which have yielded negligible receipts, and establishing the real sources of budget formation.

As a variant, we might suggest forming a federal budget mainly through VAT, excise taxes, customs duties, payments for natural resources, enterprise profits tax and income tax from physical persons. In so doing, the profit tax and the income tax (at rates of approximately 15 percent) and the customs duty would go wholly to the federal budget, and the withholdings for the regional budgets for VAT, excise taxes and resource payments, or transfer reallocation of the sums of these taxes, can be established within the framework of the budget process, yearly, or on a long-term basis.

Regional budgets can be supplemented (in addition to the aforementioned receipts) through their taxes on enterprise profit and income from the population of the region, as well as through license fees. Local budgets should be formed through taxes on enterprise profits and physical persons, on land and water, hotels, registration and license fees, taxes on advertising and taxes and fees earmarked for special purposes, as well as receipts from regional budgets.

The regions should have the right to tax profit (income) obtained on their territory. While retaining the general methodology for determining profit or income, the regions should have the power to establish their own tax deductions and allowances, not to recognize federal tax deductions and allowances under certain conditions, and to make broad maneuvers, within certain limits (up to 20-25 percent), with tax rates, establishing, in particular, differentiated or progressive rates.

Reducing the Tax Burden

There are possibilities of reducing the tax burden, but they are not simple and are not instantaneous.

In the first place, we must increase the collectability of taxes. According to the strongly differing estimates of specialists, today the budget will fail to receive from 30 to 50 percent of the taxes subject to payment (as a comparison: in the United States, this figure is 15 percent, and a federal program has been worked out, aimed at reducing it to 10 percent by the year 2000). Great efficiency in tax collection can be achieved over a long period of time. In addition to broadening the technical possibilities of the tax authorities, the problem of training and maintaining highly-skilled personnel is very urgent for them.

In the second place—and this can be done much more quickly—we must examine our system of tax benefits, with the aim of reducing them to the utmost. In the last few years, the amount of these benefits (especially in the sphere of foreign economic activity) has exceeded the size of the federal budget deficit.

Only the most important tax benefits, corresponding to the priorities chosen and announced by the state, and very negligible in number, should remain. This decision will also contribute to the neutrality of the tax system with respect to certain specific types of activity, forms of ownership or organizational-legal forms of enterprises.

In the third place, the time has come to change accounting for taxation purposes, separating tax accounting from "financial" accounting. This will make it possible to solve a number of technical questions relating in particular to referral of incomes and expenditures for certain specific periods, on the basis of reserves and amortization.

We can only congratulate the initiatives of the Ministry of Finances on abolishing insignificant and inefficient taxes and eliminating sectorial extra-budgetary funds, as well as on abolishing exotic windfalls, such as a special tax favoring the most important sectors of the national economy.

Also important is the general decision on abolishing the tax on an above-norm wage fund, which was craftily built into the enterprise profits tax (as a result of which the enterprises are paying tax from income, rather than profit). True, the scenarios proposed for this abolition raise doubts. According to the first of them, beginning in 1995, this tax will be abolished for enterprises which belong 100 percent to foreign participants or foreign capital, and for permanent representatives of foreign firms, but for Russian enterprises (including joint ventures), the norm for non-taxable wages will increase in 1995 (by a factor of 1.5, as compared with the existing one), and abolition of the tax will be put back to 1996 or even to 1997. In the second scenario, this tax will be abolished for all enterprises, beginning in 1995, with a simultaneous increase in the total tax rate (federal plus regional) to 43-45 percent.

Both scenarios look unlikely on the plan of their realization, considering the need to make the appropriate resolutions through parliament. The first one—because of the discrimination against Russian enterprises, as compared with foreign ones, and the second—because of the exceedingly high tax rates. In addition, calculation of the rate for the second scenario, which proposes retaining the total amount of the tax, is based on transferring taxation from wages to profit, and on the hypothesis that the present ratio of profit to wages will not change, which is hardly correct. In the second scenario (full abolishment beginning in 1995), the proposal to maintain today's tax rate on profit and somewhat increase the rate of income tax on physical persons looks more acceptable, although politically more difficult. With an increase in wages, we can count not only on a direct effect, consisting of a corresponding increase in tax receipts, but also on a rapid secondary effect, in which the increased solvency of the population ensures an increase in the volume of sales, profits and working capital of the enterprises and, consequently, budget receipts, in the form of VAT, excise duties and profits tax.

Another positive effect of this abolition may also be the fact that the taxpayer will not have to play hide-and-seek with the state and the tax authorities, by using obvious, simple and sure-fire methods of tax evasion.

A real reduction in the tax burden can also be achieved by abolishing the highway-use tax, collected from enterprises from their entire proceeds, regardless of whether or not an enterprise has a profit or uses these very highways. As a result, a paradoxical situation has formed, in which mines and quarries and shipping companies, and even airline companies, have to pay the tax. Less barbaric methods should be used to shape highway funds, and only for those who use the roads, and moreover, those who use the roads the most should pay the most. The simplest mechanism is to increase the tax share (particularly excise taxes) on the price of motor fuel.

Consolidating the Taxpayers

It is proposed that we introduce a mechanism, widespread in the West, but so far not used in the countries of Eastern Europe or in the CIS member-states, of consolidating the taxpayers, in which a group consisting of the mother enterprise and one or several of its daughter enterprises (exclusively Russian) comes forth as the sole taxpayer of a number of taxes (VAT, excise, federal and regional profit taxes, certain payments for use of natural resources). In this case the operations among the participants of the groups are regarded as "intraplant turnover" and are not subject to taxation. If a similar concept is adopted, it may do away with investment benefits on profit tax, making it possible for enterprises to get out from under profit tax on up to half of all its profits, on condition that these funds are directed toward the capital investments made by the enterprise for production or non-production purposes, replacing it with a more efficient benefit, which operates not only under the conditions of steadily profitable production, but also within the period when an enterprise is being established, when it does not yet have any profit. This is also important when an enterprise has isolated structural subdivisions which, without being independent legal persons, are often regarded as independent taxpayers. In principle, this approach can be carried out in stages, having first permitted consolidation with enterprises belonging 100 percent to the mother enterprise, and then, gradually, over a number of years, reducing this indicator to 80 percent.

Adopting the consolidation concept can solve two more problems. The need to trace the transfer prices between related enterprises disappears, and this will substantially simplify monitoring by the tax authorities and reduce the enterprises' incentives for fictitious transactions and actions. Introducing, at the level of a federal law, a formula for distributing taxable profits among these regions will remove the problem of the regions' mutual claims to the right to possess, according to their own laws, the same object of taxation, and this will save us from the overriding need to conclude inter-regional contracts on avoiding double taxation. Conversely, without a consolidation mechanism, these problems will become particularly urgent for related enterprises which we do not yet know or understand too well. Some countries are using enforced consolidation of tax payers in order to solve these problems. It is, of course, inevitable that the budget will have certain losses with respect to profit tax, which will only partially be compensated for by abolishing the investment

benefit, but as a result, they may give a powerful impetus to the investment activity of the enterprises and to production modernization.

Protecting the Rights of the Taxpayers

The rights of the taxpayers must be considerably widened, backed by the appropriate obligations and responsibility of the tax authorities.

A taxpayer should have the right—as distinct from today's practice—in interrelations with the tax authorities, to act both independently and through his own authorized representative.

The institution of tax confidentiality must be introduced. It is called upon to protect against information on the taxpayer coming to the tax authorities from outsiders, and specifies criminal liability for those guilty of divulging this information.

The problems of the mechanisms and procedures connected with tax calculation, payment and collection of taxes, as well as with an appeal to the tax authorities or appeals of the actions (inaction) of the tax authorities, are very important, just as are the rules and periods for carrying out tax checks, investigating tax violations and other procedural actions of the tax authorities. In addition to the problems enumerated, the following terms and procedures should be disclosed in detail and registered in the law, not in decrees and instructions:

- Presenting the taxpayer, in case of his failure to execute his tax obligation, with a demand for tax payment;

- Abolishing or changing this demand or suspending its execution;

- Executing this demand;

- Refunding taxes paid in excess (without interest) or taxes collected in excess (with interest);

- The taxpayer's obtaining of a deferment (installment-paying) for paying taxes, tax credit and other questions related to these deferments and credits.

Finally, an effort must be made to create in the tax law, which is still only in the formation stage, the institution of a tax court. The tax law, since it is a special law, has its own special features, and the provisions of civil, criminal or administrative law are not fully applicable.

Other Tasks

It is no less important to work out the rules, procedures and mechanisms included in the taxpayer's execution of his tax obligations. These mechanisms include: forfeit (fine), mortgaging land, bail, compulsory execution of the tax obligation, including actions such as suspending operations on bank accounts, arrest of property, incontrovertible immobilization of funds from bank accounts and cash funds, collecting taxes through the taxpayer's debtor, collecting taxes through the taxpayer's property (confiscation, with subsequent sale).

The tax system must be made more stable and less subject to legally binding regulation. For this, the tax laws should, to a great extent, be laws of direct action, which will reduce

the number of legally binding acts of the Ministry of Finance and Gosnalogsluzhba. There are over 800 of these acts today.

Finally, the elements of each tax crime must be more precisely defined (by introducing amendments in the Russian Criminal Code) and each tax violation and the measure of responsibility for its perpetration must be specified. The existing unintelligibility of questions, such as, for example, just what constitutes "tax evasion" and "concealment of a taxable object," and how they differ and when they ensue, actually makes it impossible to qualify these offenses properly or, on the contrary, makes it possible for the tax authorities to place virtually any violation in this category.

The amount of work to be done could make anyone lose heart. All these problems must be solved, however, and as quickly as possible.

Federal Laws on Pensions Signed, Published

954E0137A Moscow ROSSIYSKAYA GAZETA
in Russian 2 Nov 94 p 1

["Federal Law On Increasing the Minimum Pension Amount and the Procedure for Indexing and Recalculating Pensions Established in Accordance With the RSFSR Law 'On State Pensions in the RSFSR'" and "Federal Law On Increasing the Minimum Pension Amount and the Procedure for Indexing and Recalculating State Pensions in the Russian Federation"]

[FBIS Translated Text]

Federal Law On Increasing the Minimum Pension Amount and the Procedure for Indexing and Recalculating Pensions Established in Accordance with the RSFSR Law 'On State Pensions in the RSFSR'

Adopted by the State Duma on 19 October 1994 and approved by the Council of the Federation on 25 October 1994.

Article 1. The minimum amount for an old-age pension with a total work record equal to that required for the granting of a full pension shall be set, as of 1 August 1994, at the amount of R21,850 per month, as of 1 September 1994, at the amount of R24,700 per month and, as of 1 October 1994, at the amount of R28,700 per month.

All pensions calculated in accordance with the RSFSR Law 'On State Pensions in the RSFSR' (without consideration of compensation) shall be increased, as of 1 August 1994, by a factor of 1.15, as of 1 September 1994, by a factor of 1.3 and, as of 1 October 1994, by a factor of 1.51, proceeding on the basis of the pension amounts paid for July of 1994.

Article 2. During the granting of pensions or their recalculation as of 1 August 1994, earnings amounts received prior to 1 August 1994 shall be indexed using the factors established for the corresponding periods, including the factors stipulated by Article 1 of this federal law; earnings amounts received after 1 August 1994 shall be calculated without indexing. At the same time, the pension amount shall not be increased correspondingly by the factors of 1.15, 1.3, and 1.51.

Article 3. When pensions are increased and granted in accordance with Articles 1 and 2 of this federal law, a compensation payment established in accordance with Russian Federation [RF] legislation shall be maintained.

Article 4. This federal law shall go into effect as of the day of its official promulgation.

[Signed] RF President B. Yeltsin
Moscow, the Kremlin
31 October 1994
No. 30-FL

Federal Law On Increasing the Minimum Pension Amount and the Procedure for Indexing and Recalculating Pensions in the RF

Adopted by the State Duma on 21 October 1994 and approved by the Council of the Federation on 25 October 1994.

Article 1. As of 1 November 1994, the minimum amount for an old-age pension with a total work record equal to that required for the granting of a full pension shall be set at the amount of R34,440 per month. All pensions calculated in accordance with the RSFSR Law 'On State Pensions in the RSFSR' shall be increased by a factor of 1.2, proceeding on the basis of the pension amounts paid for October of 1994.

When a pension is increased in accordance with the first part of this article, a compensation payment established by the RF Government as of 1 February 1994 shall be maintained.

Article 2. During the granting of pensions or their recalculation as of 1 November 1994, the earnings amounts received prior to 1 November 1994 shall be indexed using the factors established for the corresponding periods, including the factor stipulated by Article 1 of this federal law; the earnings amounts received as of 1 November 1994 shall be calculated without the application of factors. At the same time, the pension amount shall not be increased by a factor of 1.2 and a compensation payment established by the RF Government as of 1 February 1994 shall be added to it.

Article 3. The amount of a pension, the granting of which is implemented in accordance with the RF Law 'On Pension Support for the Parents of Deceased Military Personnel Who Were Serving in the Military Due To Being Drafted' (Records of the RF Congress of People's Deputies and the RF Supreme Soviet, 1993, No 28, p 819), as of 1 November 1994, shall be set at the amount of R34,440 per month.

Article 4. This federal law shall go into effect as of the day of its official promulgation.

[Signed] RF President B. Yeltsin
Moscow, the Kremlin
31 October 1994
No 31-FL

Draft 1995 Budget Presented to Duma Viewed As Unrealistic

954E0146A Moscow *KOMMERSANT* in Russian No 41, 1 Nov 94 pp 6-8

[Article by Andrey Galiyev, Nikita Kirichenko, Aleksandr Privalov, and Andrey Shmarov: "All Choice Line Items:

The Budget Submitted by the Government Is Artful and Unrealizable—And There Is No Real Alternative To It"]

[FBIS Translated Text] "Federal budget expenditures are determined based on the requisition materials of ministries, departments, and organizations, adjusted for discrepancies in uncoordinated areas, and on budget-balancing measures." "Main Orientations of Budget and Tax Policy for 1995"

No Vote, No Confidence Either

Just one issue was laid on the table for the 27 October Extraordinary Session of the State Duma: "The Report/Statement of Russian Federation Government Chairman V.S. Chernomyrdin Regarding the Proposal of the Deputy Faction—Democratic Party of Russia To Express No-Confidence in the Russian Federation Government." Such a formulation of the issue was unusual in two ways. First of all, our eyes focused right away on the new category "report/statement," and secondly, this is the first time we have seen such an occurrence in the history of our parliament, at least in its modern history.

The Democratic Party of Russia proposal was most likely just a pretext for introducing the question of no-confidence in the government. Too many demands for this had been built up within a significant segment of the deputy body. The hard-currency sarabande of 11-13 October became the straw that broke the camel's back of parliamentary patience.

A commanding majority of 331 of the 365 deputies registered to participate in the session (we recall that there are just 450 parliamentarians in the lower house) adopted the agenda in precisely the above wording. In the final analysis this had its effect, it would seem, on the voting results. But let us keep things in sequence.

That portion of Viktor Chernomyrdin's presentation that could most properly claim the title of *report* contained information on the not so rosy results of budget implementation for 1994. As the prime minister himself stated, for the first time he was beginning his presentation with problems and difficulties. Then Viktor Stepanovich posed the question so traditional for inhabitants of Russia—"What to do?"—and developed it a bit: "What financial and economic policy should be chosen?... We need a breakthrough. The moderately rigid financial policy has exhausted its possibilities..."

The prime minister considered the draft 1995 budget, presented to deputies literally on the eve of the session, a breakthrough and "new step." Then in discussing the coming year, Viktor Chernomyrdin entered the *statement* phase.

To summarize, the statement amounted to the following. The budget presented for 1995 is "a realistic budget which closes off the path to the past, the path to the swamp of depression." Well, the 1995 budget deficit is expected to come to R72 trillion, and is covered through internal (emission and distribution of securities) and external (hard-currency loans of \$12.7 billion) sources. The prime minister's phrase "If they give it—why not take it?" was especially infuriating to some deputies, judging from the noise on the floor.

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Viktor Chernomyrdin finished his presentation with an assessment of the coming resolution of the confidence question: "Life goes on. It is useful for the government in that it reveals everyone's measure of responsibility."

Then there began the revelation of measures of responsibility. Questions from deputies and responses from the government continued for about an hour, strongly mindful of a conversation between a blind man and a deaf man. One of the most specific questions—"What political system is being proposed within the framework of the present government's program?"—elicited one of the most specific responses: "We are not building socialism; we are not moving towards communism." Following this came the presentations of heads of Duma committees and factions (in many instances, committee heads tended more to express their own personal opinions than the position of the committee, as later became apparent from the remarks of members of these committees).

Sergey Glazyev, head of the Committee for Economic Policy (Democratic Party of Russia): "A large portion of economic policy efforts have not been achieved... If we agree with the forecast and the budget, we will get further deindustrialization... There is an alternative—our program of active structural policy, approved both in the Duma and by commodity producers, as well as in academic circles." (I will skip ahead and note that he voted for no-confidence).

Petr Romanov, representative of the Committee for Defense and Security of the Council of the Federation: "We do not need a government that ignores the country's security."

Mikhail Zadornov, head of the Committee for the Budget, Taxes, Banking, and Finance ("Yabloko"): "The main issue is political will... The results of 1994 budget implementation prevent us from accepting the 1995 budget on trust." (Did not vote).

Sergey Burkov, head of the Committee on Property, Privatization, and Economic Activity (New Regional Policy): "A redistribution of state property in favor of certain narrow social groups" is taking place as a result of privatization. (Voted for no-confidence).

Yegor Gaydar, leader of the Russia's Choice faction: "The government has no other way out except for a move towards rigid policy... Today this course of action provides hope for extricating the country from its crisis." (Abstained).

Sergey Kalashnikov, head of the Committee on Labor and Social Policy (Liberal Democratic Party of Russia): "This government is not capable of doing anything... There is nothing to prevent people who have demonstrated an ability to function—including Viktor Stepanovich—from becoming part of a new government." (Voted for no-confidence).

Sergey Shakhrai, leader of the Party of Russian Unity and Accord faction: "Uniting against something is uniting on the crowd principle." (Voted against no-confidence).

Grigoriy Yavlinskiy, Yabloko: "It is ridiculous to be discussing the government apart from the president... Yabloko has no intention of participating in the voting on this ridiculous question." (And he did not participate).

Finally came the moment for the vote on no-confidence in the government. For—195. Against—54. Abstaining—55. The State Duma resolution was not adopted, insofar as regulations stipulate that at least 226 votes must be gathered in such instances.

Thus, only 12 percent of the State Duma deputies voted "not against the government"—about 18 percent of the number of deputies voting. In no way, in this instance, does *not against* mean *for*.

A "New Course": Metamorphosis of Evil Inspector Into Good Inspector

Over the last two weeks, all the leading economics people in the government seem to have conspired in generating persistent discussion of a new approach to economic reforms. All assessments of the "new course" are magnificent, and can be seen most clearly in the comments of Anatoliy Chubays, who characterized it as "a radical, unprecedented change of economic policy" (see page 12 of this issue of KOMMERSANT).

All this looks even more intriguing in light of the fact that the initial phase of formulation of this "new course" took place at the very top echelon in an environment of secrecy. No less prominent figures than the prime minister himself, his deputies, and economics ministers took part. As a result, even leading specialists of the economic departments found themselves looking at a fait accompli. "Control figures" were released to them and they were asked to compile, on an urgent basis, an economic prognosis and budget for the coming year.

The parameters of the "new course" were not subject to discussion. Work proceeded so rapidly that ludicrous blunders appeared in the documents prepared for the government session. They simply forgot to replace certain indices, even entire tables, and lifted old versions of calculations for insertion in the new documents. But the leadership did not really require any special justification for the calculations or clean-up of figures—the decision had already been made.

KOMMERSANT has already analyzed one version of what lies at the foundation of the "new course"—see Issue No. 39, pp 5-13. Discussion centered around a deal between the government and IMF—"low inflation in exchange for credits." This version was confirmed. Judging from the data available to us, at a 20 October government meeting, Aleksandr Shokhin explained to members of the Cabinet that next year is the last year Russia will be able to obtain IMF credits. The fact of the matter here is that over the course of discussion of terms for restructuring our foreign debt, forecasts were examined according to which, as a result of effective actions on the part of the government, Russia would begin economic growth in 1996 and discussion would not center around obtaining credits, but rather around repaying prior debts. It was therefore necessary, at whatever cost, to ensure that all official documents show construction of a low-deficit budget very pleasing to the IMF, ruling out Central Bank credits to cover the deficit, and forecasts of a ridiculous—2 percent—monthly inflation level.

Yet another reason for the sudden shift to a "new course" was mentioned at the government meeting in question. We

are referring to implementation of the revenue portion of the 1994 budget, which Viktor Chernomyrdin termed "a downright shame." It is difficult to argue with the prime minister. According to Ministry of Finance figures, over the first nine months of the year only 37.7 percent of the amount stipulated for the year in taxes and other payments actually entered the budget. The reasons for such a shameful discrepancy between plan and fact are well known: The Ministry of Economics understated its forecast of the rate of decline (of which we warned you—see our article in KOMMERSANT No. 10), the Ministry of Finance applied an unrealistic tax collection capability, and nobody expected that the summer inflation would turn out to be so low as to slant the tax base.

But if these calculations are interesting to the departments that receive budget funds, it is only from an academic point of view. The funds allocated for their needs are written into the budget, and the expectation is that they will be received in the full amount. Especially since many departments have begun to carry out concrete projects based on figures entered in the outlays portion of the budget—projects which naturally require payment. All these miscalculations have resulted in such a budget crisis that it would be better to do without a budget completely.

It was decided not to repeat the mistakes of this year, and "the reductions game" began. It was decided to lower revenue—and correspondingly, outlay—budget lines to the limit. This they did magnificently: Secret reserves are hidden everywhere in the new draft budget, wherever possible. Suffice it to say that the average ruble exchange rate for 1995, according to which our foreign credits were recalculated, was entered in the amount of R3,200-3,300 to the dollar—the level that will take shape by the end of this year if present trends continue.

Two aims are being achieved through these refined tricks. First of all, overfulfilling the budget will enable us to talk about the success of government policy. Secondly, fattening someone up with easy revenues over and above the plan—means appearing as a benefactor to those who obtain budget funds. Herein lies the second meaning of the transition from super-tight to lax budget—the "evil inspector" turns into a "good inspector."

But even in the role of "evil inspector," the government need not overly torment itself. At the 20 October meeting, the prime minister posed the question point blank: Who would be against lowering inflation to 2 percent by rejecting coverage of the budget deficit using Central Bank credits? Anatoliy Chubays seconded the prime minister: The budget must be tough and ruthless, but fair. There were no clear opponents to this—the vote was unanimously "for."

That Same Old Predicament

Well, wherein lies the problem? Do we all not remember how, during the Soviet period, economic specialists tried to understate the plan so as to be able to overfulfill it, and thereby receive a bonus? No problem—that is how things went.

Here, it would seem, things will not go that way. For three basic reasons.

First of all, in developing the forecast of economic development, the main source document for the budget, the chances of finding compromise in the classic "decline-inflation" dilemma are not very good, to put it mildly.

Secondly, despite the desire to maintain slack as far as revenues are concerned, the increment in many revenue lines seems to be calculated from implausible political and economic premises.

Thirdly, the central idea of the budget—to cease budgetary loans from the Central Bank and shift to noninflationary covering of the budget deficit—seems to us to be as surrealistic as it is happy.

It seems to us from all these factors taken together that the draft 1995 budget is "inflated" in three of its integral components: the revenues portion, the deficit, and sources to cover the deficit. Now to treat everything in greater detail, and in sequence.

First of all, in providing its "new course" forecasts, the Ministry of Economics has virtually left unchanged the real (in comparable prices) macroeconomic indicators. Whereas in the previous version of the forecast with 5 percent inflation, the gross domestic product was reduced 5-7 percent and industrial production—8-12 percent, in the new version, with 2 percent inflation, the reductions come to 6-8 and 10-12 percent, respectively. In other words, there is practically no difference in the assessments of decline.

KOMMERSANT has repeatedly tried to show that this cannot be. And now our calculations evaluating the influence of a more than twofold reduction of the rate of inflation on production dynamics enable us to say that in the event of full-scale implementation of the financial portion of the "new course," the gross domestic product may decline 13-16 percent, i.e., might amount to double the government's forecast. Accordingly, just as in 1994, the revenue portion of the budget will diminish by virtue of the reduced tax base, and the budget deficit will be 9.3-10.7 percent of the gross domestic product, as opposed to the 8.3 percent stated in the draft. In other words, macroeconomic factors may cause the budgetary income from base taxes (profits taxes, value-added tax) to be less than the amounts estimated by R10-12 trillion.

This means the budget will again not be implemented. And so all the tricks are in vain—there will be inflation and a budget deficit.

Furthermore, in structuring certain of the budget's revenue lines, too optimistic an approach, in our view, was applied. For example, only a grand romantic in financial-economic matters would suppose that the regions will hand over for the sake of the federal budget R4 trillion of the share of personal income tax due them. That is approximately the amount being proposed to be collected through excise taxes, rehabilitating the presidential edict that has been nonfunctional now for a year and a half: "On State Monopoly of the Production, Storage, and Wholesale and Retail Sale of Alcoholic Beverages" (No. 918, dated 11 June 1993). It somehow seems to us that we should not be relying on these R7-8 trillion of possible budget revenues—because of the utter "impassability" of measures to raise them for political reasons.

The line "proceeds from export-import duties" also turns out to be extremely strange on close examination. We will recall that the average exchange rate of R3,200-3,300 to the dollar was used for the budget, i.e., the actual present exchange rate. Insofar as domestic inflation over the year is expected to be in the area of 38 percent, the effectiveness of exports over the same year must be reduced by the same amount. So how an intelligent person can expect the 16.6-percent growth of exports stated in the budget remains a secret to KOMMERSANT experts.

Perhaps the growth of imports (by 20 percent) will replenish the treasury? Perhaps—if the measures planned for guaranteeing the state monopoly of vodka production do not distort this growth.

The optimism ensuing from yet another line of the budget seems to us to be excessive: income from the sale of state-owned property, or to put it concisely—from privatization. A reading of the appropriate portion of the explanatory annotation to the budget generates a great many puzzling questions. We see:

In 1995, property valued at R15.973 trillion as of 1 January 1994 is subject to mandatory privatization. It is proposed to sell shares valued at R8 trillion (50 percent of the shares of each enterprise on average) at specialized check auctions."

Wait a minute! Without mentioning the fact that there simply cannot be any *check* auctions in 1995 (the voucher system is over), let us pay attention to the word "mandatory." Unfortunately—or fortunately, as some may think of it, there is no mention of any mandatory privatization in either of the presidential decrees—the December or July decrees—which regulate privatization processes today. Thus, it is not that shares with a face value of R8 trillion *must* be sold, but only that they *might* be sold. This alone makes it not such a reliable source of income. But—we read further.

It is intended that the federal budget obtain R7.530 trillion from these sales. True, this is "in connection with proposals introduced to significantly alter the norms for distribution of income from privatization towards augmenting budgets of various levels." How significant—is not addressed, but in comparing documents obtained by deputies with the draft budget submitted to the government by Mr. Vavilov, we ascertained that it is intended to increase the federal budget share by a factor of less than 1.5 (we do not know, incidentally, how the regions will react to this innovative step). In this regard, it is planned to sell shares with a face value of R8 trillion for R52.8 trillion, i.e., at an average exchange rate of 6.6.

Once again, wait a minute! Even at *check* auctions the average exchange rate was less than 5. What makes anyone believe it will be 6.6 at *monetary* auctions? But that is not even the strangest thing. In spring of this year experts in the Russian State Committee for Management of State Property studied the possible level of demand for destatized property during the period of monetary privatization (see KOMMERSANT No. 18). And according to their data, there was no way the aggregate demand would exceed R5 trillion. So how can shares be sold in 1995 for an amount 10 times greater? Perhaps they are counting on

foreign purchasers? But then the *direct* foreign investments in privatization should comprise not less than \$15 billion in 1995. It is nice to dream, of course...

It seems more realistic to us that the budgetary income from monetary privatization will be 3 or 4 trillion less than what the government is expecting.

We note for the sake of fairness that exaggerated expectations of privatization income is not just attributable to the government. Sergey Glazyev, perhaps the most inveterate government ill-wisher, believes that planned budget receipts are "extremely low." We read in the report he wrote in the Committee for Economic Policy: "The energetic growth in value of shares of privatized enterprises being observed at present and their mass resale to foreign companies testifies to the many-fold understatement of budgetary income and its redistribution in favor of speculative capital, a significant portion of which is foreign capital."

Mr. Glazyev has apparently not taken into consideration the fact that the "energetic growth" has to date encompassed just a regrettably small portion of the shares of privatized enterprises—and that the aims of *selling quickly* and *selling high* are absolutely incompatible. And so, the "many-fold" increase in budgetary income from privatization in 1995 is a hazy fog that even Manilov would be ashamed of.

No Way To Finance the Deficit!

As far as Western participation in the "new course" of reform is concerned, they have indeed overdone it somewhat. Something strange can be seen in the calculation of total amount of foreign loans. According to Ministry of Finance information, over the first nine months of 1994 Russia received only \$1.6 billion of foreign credits. Nonetheless, revenue amounting to \$12.7 billion appears on this line for the next year. We recall that in 1992 Yegor Gaydar also set his hopes on \$10 billion in loans from the IMF—an amount that has not yet been received.

We note that Western loans comprise the "trump-card source" of noninflationary financing of the budget deficit. It is on this that the government is relying in order to stop borrowing from the Central Bank.

Nor are things going well with one other noninflationary source—emission of securities of the "state treasury bond" variety. Although various versions of documents have various figures for proposed emission associated with them, we turn to the final "Duma" version. There (in tabular presentation) we discover two interesting figures. It turns out that in 1994 we managed to trim the budget deficit by R3.8 trillion through emission of securities, and the 1995 projection calls for up to R43.5 trillion (an 11.5-fold increase!). We would like to believe in the real prospects of such a funding scheme, but it is only with great difficulty that we can. It is possible, of course, that Mr. Mavrodi's laurels allow Mr. Vavilov no rest.

Well, what will happen? Most likely, for the sake of external appearances, a rigid policy of direct credits by the Central Bank to cover the budget deficit will not actually be followed. But according to rumors in the halls of government, a roundabout maneuver is being readied:

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Pressing offers will be made to the Central Bank to purchase government securities not bought up at auctions. Such purchases are tantamount to emission. In conclusion, we recall that none of the preceding information is in any way new. As of 1992, Russia has not had a single realistic budget. KOMMERSANT experts are prepared to bet that 1995 will not produce one either—no matter what the political configuration.

Antimonopoly Committee's Version of Advertising Law Criticized

954F0237C Moscow ROSSIYSKAYA GAZETA
in Russian 29 Oct 94 p 4

[Interview with I. Yakovenko, chairman of the State Duma Subcommittee on the Press and Economic Support for the Mass Media, conducted by Dmitriy Grafov: "The Advertising Law Needs To Be Advertised: Why the Antimonopoly Committee May Become a Monopoly"]

[FBIS Translated Text] *Currently there are three drafts laws "On Advertising" circulating in the Russian Federation State Duma. The first was born in the depths of the State Committee on Antimonopoly Policy and was passed along to certain deputies after it became clear that the Committee on Information Policy and Communications would not support it on a vote. The second draft—an exact copy of the first with slight stylistic differences—is currently under discussion by the government. There is also a third draft law, an alternative draft supported by the Committee on Information Policy and Communications. The reasons for it will be discussed by I. Yakovenko, chairman of the Subcommittee on the Press and Economic Support for the Mass Media.*

[Yakovenko] The first thing with which we do not agree—I mean in the first two drafts developed by the Antimonopoly Committee and with its participation—is the fact that by adopting them we would wind up with a unique kind of monopoly. Ridiculous as it may sound, a monopoly held by the Antimonopoly Committee. It is that organization of bureaucrats that has usurped the right of almost complete control over everything connected with advertising. Furthermore, the State Committee on Antimonopoly Policy [GKAP] is becoming virtually a prosecutorial oversight agency over a business sector which, for one thing, has done over R20 trillion [rubles] of business this year.

From this follows the conclusion that by turning advertising over to "prosecutorial" control and giving bureaucrats the chance to ban or permit any given ad at their discretion, we are opening the door to bribery.

The law should contain clear-cut formulations, literally instructions for use by the courts and by the mass media, stating what may and may not be done in the advertising field.

The GKAP draft contains very vague, unclear formulations under which any advertising could be declared illegal.

Furthermore, the "antimonopoly" draft is of a prohibitive nature, i.e. treats advertising as an enemy that must be combatted. Thus the prohibitive nature of the law and its

vague style create the right conditions for tyranny. For example, what was the basis for pulling advertising for the MMM Joint-Stock Company? I definitely have no sympathy for Mavrodi or for his business. What did the ads say? That Russian girls are better than American girls, but that "their" beer is better. And on what grounds were they pulled? Tyranny is always created under the banner of "the highest interests." But whose?

[Grafov] Do we need an advertising law at all?

[Yakovenko] An advertising law is needed for several reasons. Firstly, it is like I said: if there is no law, then nothing limits bureaucratic tyranny. Secondly, today we are truly in a unique situation. Advertising can be outright lies, can infringe on the interests of consumers and competitors, and can even threaten our health. People could die from poor-quality products, but they will still continue to be advertised. No legislative counterweight to advertising excesses exists.

[Grafov] The mass media were most outraged by the attempt to regulate the quantity, content and placement of advertising.

[Yakovenko] We feel that any attempt to interfere in this area when it comes to print media is excessive. If a newspaper prints unreasonable amounts of information, then readers will stop buying it, and as a consequence the advertisers will leave as well. Radio and, in particular, television are another matter altogether. There is not the same feedback and self-regulation there. No truly competitive environment has yet emerged in those areas. This is for technical reasons: there is only a limited number of frequencies, channels, transmitters, etc. If a station has a license to broadcast, it can run nothing but ads and not worry about being driven out of the market. Therefore in the field of broadcast media there clearly is reason to restrict the amount of advertising.

[Grafov] It is common knowledge that advertising is needed for three reasons: as the "engine of commerce," as a guide to the market in products and services for customers and the media, and as a funding source and basis of the media's freedom and independence.

[Yakovenko] Yes. Within this triangle of interests there exist the advertiser, the advertising distributor and the advertising consumer. Our draft law is based on a balance of those parties' interests. One important issue that arises from this is the issue of responsibility for publishing an ad that violates the law.

We feel that a newspaper publishing an offer to work in a house of prostitution or an ad for a store selling banned weapons is not permissible. Our draft law makes provision for penalties for advertising banned products and services.

And in a second case liability should be incurred when a newspaper, for example, advertises the activities of a company that has no license to engage in such activities. A newspaper is quite capable of verifying a license. We have to be realistic: can we put the burden of various types of liability on the media? Well, for example, we cannot force the media to accept liability for advertising poor-quality products. How could the media check out a whole shipment of a product, or even a sample? Or appraise services?

They do not have the money or the capability to do that, and that is not the media's job.

[Grafov] One last question about liability. Who will do the monitoring, and how will sanctions be applied?

[Yakovenko] We must create a National Advertising Council on a non-discriminatory, public basis and based on the principles of self-financing by associations of consumers, advertisers and the media. This organization's status should be that of a non-commercial state organization. The council would have the right to approve or not approve an advertising ban imposed by the GKAP. The council itself could, after considering an appeal from its regional representative, impose an advertising ban. In this way we deprive the GKAP of its monopoly on decision-making regarding advertising. Only the courts could repeal a decision made by the council. In the case of a GKAP ban being lifted by the council, the GKAP would be required to make compensation for all media and advertiser losses out of its own budget.

[Grafov] But what will actually force the media to avoid illegal advertisements?

[Yakovenko] The GKAP sends written notice that an advertisement must be brought into compliance with the law. If there is no positive response to this, the Antimonopoly Committee suspends (by written notice) dissemination of the advertising for, say, a 10-day period. If the editorial board does not respond, then penalties will follow. The Advertising Council could support or repeal the GKAP's proposal. The penalty amounts are very impressive and are deducted from the advertiser's or distributor's account by levy (or in the case of individuals, by court order). The initial fine for failure to comply within the time limit set in the written notice is up to 2,000 times the minimum monthly wage, and for a second violation up to 5,000 times. If the ban is not complied with three times in the course of six months the fine ranges up to 6,000 times the minimum monthly wage.

(The draft law "On Advertising" prepared by the Antimonopoly Committee is printed on pages 12-13.)

Survey Studies Problem of Tax Evasion, State Financing

954F0237B Moscow ROSSIYSKAYA GAZETA
in Russian 29 Oct 94 p 9

[Article by Vladimir Buyev of the Russian Federation Government Working Center for Economic Reforms: "Who Is Not Paying Taxes, and How": "The Budget Is Not Collecting All Its Revenue, So Harsh Measures Against Tax Evaders Can Be Expected"]

[FBIS Translated Text] The Russian Federation Government Working Center for Economic Reforms has conducted a poll of approximately 1,700 managers of small enterprises under various forms of ownership located throughout Russia. They were asked to give their expert assessment of how often small businesses fail to draw up contracts for work and services performed, thereby evading taxes. In fact, this was a disguised study, because in their answers the businessmen polled were referring primarily to themselves.

Only 1.5 percent of those surveyed stated that every deal was documented, while 33.1 percent said that as many as one in four transactions takes place in the "shadow economy," and 28.9 percent felt that that figure would be as high as 50 percent. And 18.4 percent said it went even higher, up to and including complete concealment of all deals. Furthermore, it is the most profitable transactions that are being concealed.

It is clear that our current taxes are extremely burdensome. Only a handful of highly profitable enterprises are capable of paying all their taxes while at the same time continuing to operate successfully in the wild Russian market and invest in development. An overwhelming majority of companies, particularly companies that are not state-owned, simply would not survive if they paid all their taxes in full and on time.

Who is paying more into the budget, and who is paying less? Once again this survey indicates that the greatest opportunities for not paying are found in the non-producing sector. For example, the percentage indicating that they conceal from the state between 50 and 100 percent of all transactions was higher among heads of enterprises in the fields of trade and intermediary services than among heads of construction-related and industrial structures, scientific companies and, oddly enough, enterprises in the service sector. Absolutely astounding results came the heads of enterprises connected with agriculture. More than one-quarter of them felt that one should conceal everything one possibly can from taxation.

Expert Assessments of Tax Evasion

Poll of 1,700 Managers of Small Businesses Under Various Forms of Ownership

Number of Transactions in Which Businessmen Evade Taxes, in Percentage

	More than 50 Percent	25-50 Percent	Less Than 25 Percent
Agriculture	26.3	25.6	29.3
Intermediary Services	22.4	34.7	28.3
Trading	20.5	31.5	28.7
Science and Scientific Services	20.2	31.1	26.9
Industry	18.1	27.3	39.5
Transportation	17.4	37.7	28.7
Business Services	16.9	34.2	29.8
Consumer Services	15.1	33.4	31.6
Construction	13.7	26.0	36.9

However, despite crime's universal penetration of the business world, it is encouraging to note that managers of enterprises in a more stable situation and with prospects for development were much less likely to be inclined to

avoid paying taxes to the government. By contrast, companies which were in the worst position also had the highest percentage of tax evaders.

Motive for Concealing Income	Goals for the Sake of Which More than Half of All Jobs Are Concealed From Taxation
To make as much profit as possible right now, and let the future take care of itself	27.5
To be able to start up other types of operations	20.2
To have a more or less stable situation; the most important thing right now is survival	16.3
To gain market position and expand potential	16.5

A manager's inclination to evade taxes is directly proportional to the goal that manager sets for himself. If the goal is to develop his enterprise, then there is less concealment of profits. But if the goal is to reap the greatest possible profits right now, then the level of concealment is greater.

What is the upshot of all this? The state's financial bankruptcy is becoming increasingly evident. The budget failed to collect more than 30 percent of projected tax revenues during the first half of this year.

This is a vicious cycle. Major Russian industry has been wiped out. Today there is really nothing the state can get out of it, because funds are now concentrated in the non-state-owned sector of the economy. The idea was that the focus would shift to small private businesses, but it proved impossible to collect taxes from that sector by "economic means." It is also financially ruinous for non-producing businesses to pay them. And neither the tax service nor tax policy is able to force businessmen to do so. So there remains only one method... It is a well-known fact that Mavrodi [former head of the failed MMM Investment Fund] has been indicted under a law that allows confiscation of his property.

It is clear that if the state does not have money and tries to get some by employing harshly bureaucratic, repressive methods, then such action will be taken first against financial structures which have the least political protection. It appears that the MMM empire did not have a powerful patron in the upper echelons of government. What happened to that joint-stock company might be just a test to gauge the reaction of the public and financial magnates to this kind of shakedown.

Everybody wants to live. Therefore the desire of business to survive by evading taxes is quite understandable. But one can also understand the desire of the government, which also wants to remain around for a long time to come, to plug the gaping holes in the budget. It is possible that we are witnessing the beginning of a new economic policy aimed at filling the government's empty pockets by non-economic means.

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Our Commentary

Budget expenditures are being cut back to help solve this problem. But with prices constantly increasing, this is not working. The social realm, science and education are suffering.

There is an alternative: reduce budget losses and block the siphoning off of money into commercial structures and funds by administrators at all levels. Investigations of cases in many regions and at many major privatized enterprises indicates that today billions of dollars are going abroad under fictitious contracts, millions of tons of scarce commodities are being sold on the foreign market at dumping prices, and money allocated by the state is taking months to reach its intended destination. It has proved impossible to establish order in these areas in all these years of reform. So now it will be necessary to increase taxes and apply repressive measures.

Law on Amendments, Additions to Tax Laws Adopted

954F0237A Moscow ROSSIYSKAYA GAZETA
in Russian 29 Oct 94 p 2

[Russian Federation Federal Law No 29-FZ, enacted 27 October 1994: "On Changes and Additions to Certain Russian Federation Laws Regarding Taxes and Aspects of Procedure for Payments Into Certain State Non-Budgetary Funds" (Adopted by the State Duma on 12 October 1994)]

[FBIS Translated Text]

Article 1

Amendments and additions shall be made in the following Russian Federation legislative acts pertaining to taxes:

1. In the Russian Federation law "On Individual Income Tax" (VEDOMOSTI SYEZDA NARODNYKH DEPUTATOV ROSSIYSKOY FEDERATSII I VERKHOVNOGO SOVETA ROSSIYSKOY FEDERATSII, 1992, No 12, p 591; No 34, p 1976; 1993, No 4, p 118; No 14, p 486):

in Article 3:

Point 1 shall be expanded with subpoints "Ya⁷-Ya⁹" to read as follows [reference is to Russian letter "ya"]:

"Ya⁷) campaign funds of candidates for deputy in federal organs of state authority, representative and executive organs of state authority in components of the Russian Federation and organs of local self-government, received and spent for the conducting of an election campaign, and for which accounts have been kept according to established procedure;

"Ya⁸) income received from electoral commissions by members of electoral commissions who do not perform their duties on those commissions on a permanent basis;

"Ya⁹) income received by physical persons from electoral commissions, as well as from the campaign funds of candidates for deputy and the campaign funds of

campaign associations for the performance by those persons of jobs directly connected with the conducting of election campaigns.”;

Point 6 shall be expanded to include a subpoint “g” [reference is to the Russian letter “g”], to read as follows:

“g) amounts transferred as voluntary contributions to the campaign funds of candidates for deputy in federal organs of state authority, representative and executive organs of state authority in components of the Russian Federation and organs of local self-government, as well as those transferred to the funds of campaign associations. However, the total amount of non-taxable voluntary contributions to deputy candidates’ campaign funds and campaign associations’ funds may not exceed, in cases of elections to federal organs of state authority, 10 times or 15 times the minimum monthly wage established by law, respectively, and in cases of elections to representative and executive organs of authority in components of the Russian Federation and organs of local self-government may not exceed five times or seven times the minimum monthly wage established by law, respectively.”

2. In the Russian Federation law “On Profit Tax on Enterprises and Organizations” (VEDOMOSTI SYEZDA NARODNYKH DEPUTATOV ROSSIYSKOY FEDERATSII I VERKHOVNOGO SOVETA ROSSIYSKOY FEDERATSII, 1992, No 11, p 525; No 34, p 1976; 1993, No 4, p 118):

Point 1 in Article 7 shall be expanded to include a subpoint “i” [reference is to the Russian letter “i”], to read as follows:

“; i) transferred as voluntary contributions to the campaign funds of candidates for deputy in federal organs of state authority, representative and executive organs of state authority in components of the Russian Federation and organs of local self-government, as well as to the campaign funds of campaign associations. However, the total amount of non-taxable voluntary contributions to deputy candidates’ campaign funds and campaign association’s campaign funds may not exceed, in cases of elections to federal organs of state authority, 100 times or 10,000 times the minimum monthly wage established by law, respectively, and in cases of elections to representative and executive organs of state authority in components of the Russian Federation and organs of local self-government may not exceed 50 times or 5,000 times the minimum monthly wage established by law, respectively.”

Article 2

Insurance contributions to the Russian Federation Pension Fund, the Russian Federation Social Insurance Fund, the Russian Federation State Public Employment Fund and mandatory medical insurance funds are not to be deducted from:

funds in the campaign funds of candidates for deputy in federal organs of state authority, representative and executive organs of state authority in components of the Russian Federation and organs of local self-government

which are acquired for and spent on the conducting of election campaigns, and for which accounts have been kept according to established procedure;

income received from electoral commissions by members of electoral commissions who do not perform their duties on the aforementioned commissions on a permanent basis;

income received by physical persons from electoral commissions or from the campaign funds of candidates for deputy and the campaign funds of campaign associations for the performance by the aforementioned persons of jobs directly connected with the conducting of election campaigns.

Article 3

This Federal Law applies to relations originating as of 1 January 1994 in connection with the conducting of election campaigns to the Russian Federation Federal Assembly, representative and executive organs of authority in components of the Russian Federation and organs of local self-government.

However, the final two paragraphs in Point 1 and Point 2 of Article 1 of this Federal Law apply only to relations which originated during the conducting of elections to fill vacant deputies’ seats in the Federation Council, first convocation, and in the State Duma, first convocation, as well as during the conducting of elections to representative and executive organs of authority in components of the Russian Federation and organs of local self-government created for the first time following adoption of the 1993 Constitution of the Russian Federation.

This Federal Law shall take effect on the date of its official publication.

[Signed] B. Yeltsin, President of the Russian Federation
Moscow, The Kremlin
27 October 1994, No 29-FZ

Air Navigation Information Center Work Highlighted

954E0133A Moscow VOZDUSHNYY TRANSPORT
in Russian No 45, Oct 94 pp 4-5

[Article, based on talks with TsAI officials, by Igor Grigoryev: “The TsAI Helps Everyone, But Who Helps the TsAI?”]

[FBIS Translated Text]

[Grigoryev] Without data on the air navigation situation which comes from this rather unremarkable building not far from the Skhodnenskaya Metro Station in Moscow, not one plane from the 268 airports of the former USSR would rise into the air and not one foreign airliner would enter the air space of Russia and the CIS countries.

The Air Navigation Information Center (TsAI) of civilian aviation is the only organization of this type in our country. And what is even more remarkable is that even after the superpower was divided into individual states where all the former fraternal republics hastened to acquire the independence which fell to them from the sky, not one country which is part of the CIS nor even one of

the Baltic countries has expressed the intention of refusing the services of the TsAI. It is not surprising: To organize such a center from scratch in any, even a fairly prosperous, state is not very simple—the data bank is built up over decades. For 35 years, an enormous amount of experience has been accumulated at the Russian TsAI, and the most highly skilled specialists work there. Most of them know very well from their own experience what air navigation information means to pilots, and flight safety is no empty phrase to them.

The chief of the TsAI, Ivan Filippovich Petrenko, offers to let me familiarize myself with the Center's work and follow the procedure by which incoming information is handled here.

The federal information department used to be called an internal USSR organization, and there were good reasons for this. However, the name change has not changed the essential features at all.

The chief of the department, Aleksandr Orlov, relates:

[Orlov] "We are involved in collecting information from all the airports of the former USSR. From the territory of Russia, the CIS countries, the Baltic countries—that is, no more and no less than 268 airports, information which is entered in five manuals. All the incoming information is analyzed by associates and processed; then, on the basis of the data obtained, amendments are entered on the TsAI documents and the documents are then published and distributed to consumers. These days we supply information to 157 clients—the territorial administrations of Civil Aviation, which are being formed again by airline companies, various aviation departments, and the Air Force.

"It used to be that the navigator (an associate of the department) would obtain information on the changes which had occurred at a certain airport and using a pencil and a ruler would draw these objects on a map and check the accuracy of the data submitted. Since everything was done by hand, it was impossible to guarantee the absolute accuracy of the map drawn. But for 2 years now we have been working on personal computers with 386-processors—productivity and the quality of the editing have increased many times over. The work done by hand is reduced to a minimum.

"The second type of information we receive is telegraph information which contains material which must be processed immediately."

[Grigoryev] A. Orlov takes a telegram from a stack received and explains:

[Orlov] "Report from the Bishkek Airport: The airport will be closed from such-and-such an hour to such-and-such an hour every day, other than Saturday, Sunday, and holidays... On the basis of this telegram which requires prompt notice to all our users, we publish the NOTAM, a message containing these data. In other cases, we inform them of the startup and condition of, or change in, air navigation equipment, services, and rules, as well as information on dangers that have arisen. Ten to 15 minutes later all our 157 clients receive NOTAM's. At the addressee's airport, the message comes to the navigators' service and is transmitted to the Bureau of Air Navigation Information (BAI),

where bulletins are prepared on preflight information which every single crew must be familiar with in order to take off.

"While in Western countries amendments entered on this document are published weekly, for now we do this once a month. Up to 12 amendments in accordance with the schedule are published for each document.

"The data on 200 of the 268 existing airports have already been entered into a computer base, which allows us to automatically receive copies of airport schedules. The promptness of the publication of the documents with all the necessary amendments has increased greatly. By the end of the year, information on the entire airport network in Russia and the CIS countries will have been entered on the computer.

"The international information department supplies clients with the appropriate documents on the condition of and all changes at the international airports of Russia and the CIS countries, as well as on international routes."

[Degterenko] "It is precisely this document, called the 'AIP of the Russian Federation,' which is used to make the information official," the chief of the department, Yevgeniy Degterenko, shows four impressive red volumes with a stamp on the binding. "The AIP is an official document published by the state and contains the information needed to support flights of foreign aircraft within the borders of the air space of the given state. Our AIP now includes information on 61 airports, but we will add another 10 to it before the end of the year.

"There are 110 state organizations and foreign airline companies which receive the RF AIP which we prepare in Russian and in English," continues Ye. Degterenko. "Our second task is to support flights of the airline companies of Russia and the CIS countries on international routes of foreign states, in virtually all regions of the world, using manuals of air navigation information. There are 5 of them and they contain data on 377 airports on all continents. If some airline company needs information for flights to a particular point, at its request we immediately publish the necessary material in these manuals. Every week we make amendments to them which we take from foreign sources—the AIP of foreign countries.

"How are amendments made to the RF AIP? We receive information on changes which have been made from the airports and aviation administrations of the countries of the former USSR and the Baltic republics, and on the 25th of each month, with the permission of Rosaeronavigatsiya [Russian Air Navigation] and the air transport department, we publish the amendments. Right now we are preparing an amendment consisting of 110 pages! Moreover, a second class of NOTAM's is being published: advance notice of certain changes expected in the near future, and first-class NOTAM's. Both are provisional and are sent by telegraph. These documents are used to enter the necessary changes in the AIP's which our clients have. For each international airport, the AIP is essentially a reference book.

"The round-the-clock work of a group for preparing the international NOTAM's has been organized in the Center

for the first time. All the changes in the air navigation data on air routes and airports are transmitted to the users of our documents automatically."

[Grigoryev] After the navigators of these two departments process the material which the Center has received, they send it to the cartography department where the original is prepared and goes directly to print for the next distribution.

The manager of the department, Svetlana Maksimovskaya, shows me an airport map of Nizhniy Novgorod:

[Maksimovskaya] "See, this is the navigator's work, he has marked the approach pattern in pencil. After that we make a new copy, largely by hand, in accordance with the specifications and standard symbols of the ICAO [International Civil Aviation Organization]. Incidentally, we are now changing over to a computerized process. In practice we only have to edit the new program, and then the text is sent to a laser printer and the final copy is obtained. This is convenient because with the information received I can make as many corrections as I want on the original and it is not ruined at all. We have already done the 11th manual on the new program."

[Grigoryev] In the automation department which Aleksandr Korolev heads, I saw an ultramodern computer with a 586-processor which the Center recently acquired. Korolev and his associates were the ones who developed the program which automates the process for producing air navigation information. Specialists from the American company Jeppesen and the Dutch firm Intergraf have noted the system's advantages.

[Korolev] "In developing our system, we started from the idea that it must work in Russia and in the Russian language. And navigators, that is, people who previously had nothing to do with computers, would use it," A. Korolev relates. "We managed to reach a higher level of automation. While erasing the scheme, the Jeppesen system puts points which the associates must then combine into lines, we got the scheme to come out fully prepared. Thus our productivity increased substantially."

"These days we are preparing to publish together with the Jeppesen firm a manual under the trademark ROSSJEPP. Incidentally, before they got to know our Center, the firm's representatives insisted that the manual be made based on their technology—they would have delivered the program and the computer equipment. But after becoming familiar with the Center's work and taking note of our good computer graphics, they agreed to allow us to use our own program to do our part of the manual."

"After the originals are finished, the airport schemes and maps go to the Center's printing plant where they are circulated in accordance with the consumers' requests."

[Grigoryev] And once again I was in the office of the TsAI chief, I. Petrenko.

"Ivan Filippovich, it is not difficult to conclude from the stories of your associates that the Center's activity is extremely specific in nature. How do you select personnel?"

[Petrenko] "I begin from the fact that until recently not one of the country's educational institutions trained specialists

in processing air navigation information. In order to solve the problem somehow, we supplemented our staff with pilots, navigators, and radio operators transferred from flight work to civil aviation or the Air Force. We were lucky in that they are experienced aviators and they hardly need any additional training in the specialization at all—they flew with these documents for decades themselves. But we were unfortunate, undoubtedly, that these people are fairly old, although they are still fully able to do a good job."

"Now the situation in this regard is changing somewhat for the better. A group of students has been brought together at the Civil Aviation Academy and they are being specially trained for work in the air navigation information services. The first graduates will come next year, and I hope we receive the long-awaited young specialists, since we have encountered certain cadre problems. The advantage of the expected graduates is their youth, more basic language training, and the ability to work with computer equipment. But, needless to say, there is a basic disadvantage: They have no flight work experience either on international or on domestic airlines."

"Incidentally, in this connection I would like to draw the following comparison. In the United States, the Jeppesen firm was initially also oriented to grounded flight personnel, but then the pension threshold was postponed to 60 years of age and hiring associates at such an old age no longer made sense. Although there is another side here: Former pilots and navigators in the West receive such a respectable pension that they simply do not need to earn something on the side instead of taking their lawful rest. While in our country a pilot who has flown for 20-30 years must go to work to meet his living requirements."

"Now the Americans have begun to hire graduates of colleges and flight schools and to organize their training in accordance with the specifics of the work with air navigation documents. But I believe that even so we cannot do without specialists who have practical experience in flying."

[Grigoryev] During the visit to the Center, the author of these lines repeatedly heard the name of the American Jeppesen firm, which is well-known throughout the entire aviation world. And it is not surprising: Cooperation with it opens up new, very promising prospects for the Center.

[Petrenko] "Together we are creating a powerful data base," continues I. Petrenko. "There will be two such centers in the world: one in Moscow where a data bank has been collected in the Russian language and the other in Denver, Colorado, where information in English has been collected."

[Grigoryev] The headquarters of the Jeppesen concern is in Denver, and they have a branch in Frankfurt-am-Main. The office in Denver services the Western Hemisphere with air navigation information, and the branch in Frankfurt—the Eastern Hemisphere. This firm has 85 percent of the world market. I was able to meet the head of the firm, Captain Elry Borg Jeppesen. In the past he was a pilot with a long service record, and at one time he carried mail. When I met him in Denver, the captain gave me his firm's notebook in which he once, while still flying, recorded air navigation information. In fact, this is how his company started.

"What is ROSSJEPP? A joint venture?"

[Petrenko] "No," answers I. Petrenko. "ROSSJEPP is a joint trademark which is already registered in Los Angeles. We concluded a legally registered contract with the Jeppesen concern to collect and publish air navigation information documents under this trademark. The documents will be legally protected, copies cannot be made from them, and copyrights have been registered which will apply, among other things, to our latest, 13th manual and in the future, to all those that follow.

"Naturally the contract defines the distinctive functions of the TsAI and Jeppesen and envisions the cost of the services offered. We hope to receive from our partners printing equipment which will permit us to publish better-quality manuals. They will also supply us with two work stations so that TsAI associates can create a data bank for Denver and Frankfurt.

"What will we get as a result? Above all, experience in work with the Jeppesen technology, and at the same time we will begin earning hard currency to expand production. And the Americans are interested in our more highly skilled specialists. Because of this, they are reducing their space in Germany, since the rent for space there costs them a great deal. And, finally, the possibility has appeared to hire TsAI associates to work in Frankfurt, and that is very profitable for them. Our associates have already taken three business trips to Frankfurt where after training they worked on putting together 'Jeppesen' maps. The fact that soon, by invitation from Germany, we will send another group which was trained at Jeppesen earlier certainly suggests how much the TsAI specialists are valued there.

"We recently received an interesting proposal from the Lufthansa Airline Company. The fact is that starting in 1995, the German company proposes to begin flights to Russia using as copilots and navigators former Air Force pilots from the former GDR and Interflug who know Russian. We received a telegram from Lufthansa asking us to tell them what regions our information covers and what our rates and conditions for offering data are. Since air traffic control on domestic airlines is conducted in Russian, and it is impossible to retrain all our air traffic controllers to manage 'land-air' exchange in English, using the TsAI air navigation documents will help crews utilize flight information rapidly and without error. I must say that Lufthansa is interested in the manuals not only for Russia but for all the CIS."

[Grigoryev] Despite the fact that the TsAI is considered a state organization, the Center does not receive a kopeck from the state, specifically the Air Transport Department. Needless to say, no one doubts that its product is absolutely essential and we simply cannot do without it. But it seems to me that no one at the top has thought seriously about just how its vitality can be supported and what capital, exactly, it is supposed to exist on.

[Petrenko] "True," agrees I. Petrenko, "the Center was left with a poor legacy after the abolition of the USSR MGA [Ministry of Civil Aviation]. An old building built back in the 1930s where the headquarters of Polar Aviation was once located. Time naturally has not spared it or the entire complex of utilities. The MGA never found the money for capital repair of the building. And what kind of repair

could there be when upon departure from the MGA's TsUERTOS [expansion not given], we were 'turned out' with a debt of half a million rubles, which in those times was an enormous amount! Frankly speaking, I really cannot understand how a budget organization can be in debt to anyone. And meanwhile the premises of the civil aviation institutions built with the people's money are now being turned over to commercial organizations which have nothing at all to do with civil aviation. Last winter the heating system broke down and all work was paralyzed. And we need 200 million rubles [R] to do the capital repair. Needless to say, under the Russian tax system where we are left with only 7-10 kopecks for each ruble earned, the TsAI cannot deal with this problem by itself."

[Grigoryev] "But even so the Center managed to adapt to the new conditions of economic activity and became a fully profitable enterprise."

[Petrenko] "You are right. The profits obtained go to automate NOTAM's and the federal and international information departments. A contract has already been concluded with the Monitor firm to acquire equipment, and we are buying computers with 586-processors from the Intergraf company. Now we need capital to lease two additional communications channels with Frankfurt in order to integrate the data banks by computer. In short, we are striving to make our Center able to develop independently and on a fairly stable basis."

[Grigoryev] And despite everything, the Center is not only surviving, but also has the opportunity today to establish important reserve for the future. Despite the difficulties in the production process under market relations, a great deal is being done at the TsAI to preserve former ties with local organs of the air navigation information services and to prevent the level of air navigation support from declining.

[Petrenko] "Unfortunately," continues I. Petrenko, "the leaders of the aviation administrations of different organizations and institutions do not always treat TsAI's needs with understanding. Even when the USSR MGA was in existence, production space was allocated for TsAI in the building of GosNII GA [State Scientific Research Institute of Civil Aviation] at 67 Mikhaylovskiy Street. It would seem that enterprises which are part of one department should take a more loyal attitude toward one another's problems. But the leadership of GosNII GA, in pursuit of money, inflates prices for leasing their space to the limit, which has forced us to substantially decrease the number of rooms leased and the total area from 600 to 80 square meters.

"For the fourth quarter of this year, the Center was sent a new contract for leasing space which came to 150 dollars a square meter. And in violation of RF laws and the conditions of the previous contract concluded for the whole year, the institute's leadership did not even manage to warn us that the rates for the 3 months would be raised. Such illegality within one department—where a production enterprise is ousted from the space it occupies by the most discriminatory measures and the space is then leased to commercial organizations—is of no benefit to domestic civil aviation.

"The Japanese photo equipment which is located in the rest of the space produces large-format radio navigation

maps for the RF AIP and international manuals. Those conditions in which the institute's leadership is putting the TsAI may lead to this equipment ceasing to operate and may deprive us of the possibility of publishing maps and thereby paralyze international flights of Russian crews in the air space of Russia and the CIS countries. I believe that the Ministry of Transport and the Air Transport Department should consider this.

"Unfortunately, the Air Transport Department leadership is indifferent to the Center's needs. Thus, the archives of the Department (and earlier the MGA) are located in the TsAI building, and the MGA leaders have been promising to move them to other places since 1980. The Department continues these tactics of formalistic replies, promises, and delays too.

"In recent years, in connection with the creation of the state enterprise TsAI GA, its staff has increased significantly, which is explained by the formation of new subdivisions (an accounting office, an MTS [material-technical supply] department, an automation department, an economic department, and a boiler room) and the transfer of the NOTAM group to round-the-clock duty, but work areas have by no means been expanded. Moreover, the contracts the Center is sending to the Department demanding compensation for leasing the space occupied by the archives (in order to somehow cover the expenditures related in turn to the Center's leasing space at GosNII GA) are not signed by the DVT leadership. They say the reason is the lack of finances. But certainly we cannot always publish a state document, the RF AIP, at our own expense and support round-the-clock work of the state group of international NOTAM's and still carry the archives of the Air Transport Department on our back!

"The work volumes have substantially increased, but the printing equipment remains at the 1970s level. We bought an imported multicolor printer figuring that the space occupied by the archives would be freed. But since that did not happen, the expensive equipment stood in the rain and snow in the courtyard for a long time and ultimately was sold to the printing office of another department.

"Further improvement of the organization of air navigation support for flights of Russian and foreign aircraft at TsAI is being held back by a lack of the necessary production space. Despite the exorbitant rates for leasing space at the GosNII GA for our unique photo equipment, the Center has nowhere else to take it and install it.

"I have already related how soon we must put in the equipment of the Jeppesen and Intergraf firms. Under preferential conditions! You yourself understand we certainly cannot ignore such an opportunity. But these purchases are directly dependent on the existence of free work space. And we do not have it yet. And we will not until the Department demands a concrete solution to the question from its economic organs rather than just another formalistic reply."

[Grigoryev] "Ivan Filippovich," I ask the TsAI chief, "your Center has the monopoly on offering air navigation information, and despite everything, you managed to remain unique even after the dissolution of the USSR, which is altogether surprising and confirms that there

simply are no analogies to the TsAI. And like every monopoly, and certainly given the market chaos which air carriers, your clients, incidentally, have dashed headlong into, you could be more rigid in dictating prices for the services you provide. Especially since the Center exists only on money which you earn yourself. So were you not so tempted?"

[Petrenko] "On the contrary. For example, we republished three manuals and completely reformulated them on the basis of improved technology, and we did not take even a ruble from the aviation enterprises for this. There were expenditures here, of course, but even so the necessary capital was found. However, do not think that we are such altruists. We simply understand that airline companies, especially ones which are just being created, undergo a difficult period related to early development and accumulation of capital, and they do not have any extra money.

"However, needless to say, we are going to sell all the subsequent manuals, beginning with No 13, which will contain information on the Central Asian Region and will come out in February of next year. We are preparing it on the basis of an altogether new Jeppesen technology and a computer program based on the data bank created and have found special paper. In short, we are investing a great deal of money in this publication.

"TsAI is now able to produce air navigation manuals for flights on local airlines. Incidentally, we used to produce them before too, for example for the Arkhangelsk and Uralsk civil aviation administrations and for Ukraine, using the old technology, it is true. We know that many regional administrations would like to have these manuals, but they are having difficulties of a financial nature."

[Grigoryev] "Is there a problem with mutual settlement of accounts with the Center's clients?"

[Alferov] "Many clients pay for our services very promptly and even pay in advance based on a 6-month contract," the TsAI deputy chief, Viktor Alferov, shows the register. "Look. Among them I can name Aeroflot-Russian International Airlines, Sakha-Air, the Sevzapaviya [Northwest Air] SAI [possibly Air Navigation Information Service] and the Southern Regional Administration SAI. But some enterprises like, for example, Dalaerokontrol [possibly Long-Range Air Control], Magadanaerokontrol [Magadan Air Control], and the SAI ZTs ERTOS [expansion not given] (Samara) are trying to delay payment, hiding behind all kinds of excuses. But with inflation, if we do not receive the money at the start of the month, we incur losses even to obtain paper, which, understandably, has a negative effect on our budget."

[Petrenko] "There is one more problem," the TsAI chief again enters the conversation. "Unfortunately, some organizations are trying to publish their own manuals and create a data base. What can we say about that? We have been working on creating a data base for more than a year with our entire staff of navigators and are only now completing this job. But frequently we hear an announcement of certain firms: We, they say, can offer clients air navigation information. And they do it like this: They take our original, put it into the computer and then send it to the printer, and it is printed. But that is by no means what

we are offering. In addition the Air Transport Department has delegated the right to publish documents to TsAI, and here the question can be raised of accountability for this type of entrepreneurial activity.

"By the way, before concluding a contract with us, the Jeppesen firm studied many firms which approached it, but preferred to do business only with us, because we have great production and intellectual potential, a solid data base, and, it stands to reason, enormous work experience."

[Grigoryev] We have all gotten bogged down in paradoxes. One of them is that a state enterprise, which the TsAI officially is, does not receive any subsidies from the state. If air navigation information manuals can still be considered commercial to a certain degree, then the RF AIP is a purely state document, and accordingly the group of international NOTAM's performs the state's functions. Obviously, the Russian Government should at least finance this work from its own budget. But it turns out that the Center must use its own money earned in the commercial sphere even to ensure fulfillment of state assignments.

Incidentally, given today's economic conditions, it is not unusual to complain about a shortage of capital. But the TsAI associates are not even complaining, having understood long ago that they can only rely on themselves. For air navigation information is essentially a commodity. And what a commodity it is!

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Railroad Withholds Large-Diameter Pipes from Gazprom for Nonpayment

954F0138A Moscow GUDOK in Russian 3 Nov 94 p 2

[Article by S. Kasatyy: "'Golden' Pipes for Gazprom: Transporting Them Cost 38 Billion Rubles"]

[FBIS Translated Text] Saratov—Gondola cars carrying large (1,400 millimeter) diameter pipe have been parked for several months now at three line stations of the Volgograd section (Abganerovo, Zhutovo, and Ilovlya). Some cars have been there since spring. And more cars carrying pipe are accumulating almost constantly. The station chiefs, managers of the section, the deputy chief of the road, and V. Masterov, chief of the shipping service, are sounding the alarm.

So what kind of pipe is this and why has it not been unloaded for so long? This freight came here from Nakhodka and Vanino stations of the Far Eastern Railroad destined for gas pipeline construction workers in the southeastern part of the country. It is said that the pipe is desperately needed there. But they are not unloading it. Seven hundred gondola cars have been frozen, and incidentally, there is a disastrous shortage of gondola cars in the rail system.

The pipe, manufactured in Japan, was delivered to Far Eastern ports by ship and then transshipped to railroad cars and dispatched to the Volga region. The shipping was done in mixed rail-water traffic and was to be paid for by

the recipients at the destination point. But it turned out that the gas workers have no money to pay for shipping and do not intend to pay.

Incidentally, each superfluous gondola car in the fleet costs R3,400 a day. Perhaps the pipe for the gas workers can simply become "golden."

The most striking thing in this story is this. Literally right next to the gas pipeline builders, on the opposite, left bank of the Volga in a satellite of the hero city of Volgograd, is the largest pipe plant in Europe. It produces pipe of different sizes and of the highest quality. Volga pipe has received the international certificate of quality. Its products are in great demand in many countries of the world and in our North Tyumen region for construction of oil and gas pipelines. So why can't Gazprom buy pipe there? It would not have been necessary to lay out tens of billions for long-distance shipping by rail, to say nothing of hard currency to buy the pipe.

In August B. Ladyzhenskiy, first deputy chief of the Volga Railroad, and V. Sadovskiy, chief of the Volgograd section, were called to Moscow on an urgent basis to discuss the questions of payment for shipping and downtime.

At that moment Gazprom owed the Volga Railroad R28 billion for shipping pipe and another R3 billion for above-norm gondola car downtime. More than R31 billion (today it is already R38 billion).

This question was later reviewed in the office of O. Moshenko, first deputy minister of railroads, with participation by B. Ladyzhenskiy, first deputy chief of the Volga Railroad, V. Sadovskiy, chief of the Volgograd section, and important employees of Russian Gazprom. They agreed that the debtors will pay 5 billion in cash. The remainder will be paid by barter.

Yu. Tsittel, chief of the Volga Railroad, is not allowing the cars to be freed for now; after all, Gazprom still is not paying.

From the Editors

Very strange. Why is Gazprom buying pipe in China and Japan? If our domestic pipe were worse, it would be understandable. But Volga pipe is not worse. That is recognized even on the international level. Then why spend enormous amounts of money to buy it abroad, ship it across the entire country, and now pay for downtime (R10 billion). Especially when, to judge by how long the gondolas have not been unloaded, it does not appear that Gazprom needs the pipe so desperately.

It is hard to believe that Gazprom specialists do not know about the capacities of domestic metallurgy. Therefore, the only assumption left is that Gazprom has a large amount of extra money. The press is reporting that a financial-industrial group (FIG) has been organized under Gazprom aegis and is planning to produce a northern version of petroleum-gas pipe. As V. Generalov, first deputy chairman of Roskommetsallurgii [RF Committee on Metallurgy], announced, by 1998 Gazprom will be fully supplied with domestic pipe in a northern version. But the Volga plant workers are already making pipe in exactly this kind of northern version. Nothing is known, however,

about the participation of the Volga plant in this particular FIG (at least not at the plant itself).

I will cite some other surprising facts that have resounded in the central press recently. The Novosibirsk Electrode Plant is turning out products which have been highly rated in Finland and other countries and have the appropriate certificate. But our metallurgical and machine-building sectors prefer to buy electrodes abroad for 1,500 dollars a tonne. Flour and chicken legs from the United States and Canada are being imported to Irkutsk Oblast while the last two years' harvests are lying in Omsk storage bins and poultry raisers in this region are curtailing production.

Are the present government servants interested in the fate that awaits Russian industry? Do they think about what will come of our country when all the production facilities built and strengthened over decades go into decline? And one more question: Who benefits from this, who is making out on the collapse of domestic production, giving preference to foreign production?

Railcar Derailment Reported

954E0138B Moscow GUDOK in Russian 3 Nov 94 p 2

["Own Information" report: "Cars Derailed"]

[FBIS Translated Text] Six cars of the Vyatka train, headed from Vyatka to Moscow Tuesday evening, left the rails at Kotelnich Station on the Gorkiy Railroad. Fortunately, there were no deaths or injuries. A switch and 50 meters of track were damaged. Traffic was restored after two hours and 40 minutes. The causes are now being clarified.

Rolling Stock Repair/Cleaning Facility Noted

954E0138C Moscow GUDOK in Russian 3 Nov 94 p 2

[Article by V. Seseykin: "A 'Hospital' for Tank Cars Is Being Built on the East Siberian Mainline"]

[FBIS Translated Text] Nizhneudinsk—In the late 1970's a large construction project began near Nizhneudinsk. A large, modern enterprise to repair freight cars, oriented to the needs of the entire Siberian and Far Eastern region, was contemplated here.

The site of the construction was not chosen accidentally. It was thought, and in fact still is thought, that the agricultural regions adjacent to this major rail center on the main route of the Transsiberian Railroad have a surplus of unemployed persons. And that would solve work force problems. It was also contemplated that the fleets of the largest mining complexes in Siberia would service and repair their own cars.

Production buildings, boiler room, powerful decontamination facilities, and several dozen other facilities were under construction. But the plant's destiny was not realized. The project was frozen. The buildings, already awaiting equipment installation, began to deteriorate.

Attempts were made, it is true, to revive construction somehow and reorient the enterprise to the production of passenger cars. But lack of money and unclear points related to material-technical supply brought this idea to an

end. So the buildings became dilapidated and the equipment was hauled off at a time when the customers and the owners were thousands of kilometers away, in the capital.

But more economic tremors, the collapse of the USSR, and the changes in freight flows along with this forced people, mainly the East Siberian Railroad, to take an interest in the fate of the project, to not only include it in their zone of interests but to take over its concerns. They had a different orientation, however: restoration of tank cars.

Liquid freight, which the road ships from the Angarsk center, proved to be the most stable and consistent freight flow and supported the vital activities of power engineering and various forms of transportation in the region, including the Transbaykal, Khabarovsk and Maritime Krays, Japan, and other northern territories. In its time a smooth-operating transportation conveyor of eight-axle "connected" tank cars developed: to the destination loaded, then return empty for steaming at the Angarsk center and then reloading. Repair work was provided by an adequate network of specialized stations and depots and new rolling stock arrived regularly.

But now the manufacturers of tank cars are abroad. The prices for the cars and their spare parts have risen unbelievably. The Siberians have begun to increase the capacities of their depots for restoring cars. But wear on the tank car fleet has begun to exceed their capacities, especially because many cars with wornout wheelset flanges had accumulated in the region and the operating requirements for these units were made significantly more stringent under the new PTE [Technical Operating Rules].

These were the circumstances that forced the East Siberian to take up the discarded complex and start building production facilities there. It is supposed to turn out 5,000 tank cars from capital repair and 15,000 from depot repair. These are rough figures. But an industrial base for them is being laid. An agreement has been reached with the Poles to buy five wheel turning machines. One a year, because they are very expensive—about R2 billion each. And at the plant itself they have already incorporated R6 billion of capital investment this year.

The idea of building an enterprise to repair tank cars aroused strong resistance from the local administration and community, although they do have some employment problems here: A number of local enterprises are shutting down, including the plant that produces the container huts which were in great demand on the BAM [Baykal-Amur Mainline] and among oil prospectors, geologists, and northerners. People are looking for work at the rail center and the plant under construction is receiving more requests. The reason for dissatisfaction with the new plant is ecological. The tank cars have to be washed inside and out, and this waste has to be disposed of somewhere.

"The problem has to be solved comprehensively," says A. Koshkin, chief engineer of the road car service. "This kind of scheme is being designed: The empty tankers arrive at the Angarsk center mainly from the east. We are enlarging our capacities here for washing and steaming and we are developing existing yards and ramps. But the final washing shop will be right in Nizhneudinsk. The planners from Kharkov agreed with the local Niikhimmash [Scientific

Research Institute of Chemical Machinery]—they are building a furnace to burn the waste, which is composed of a mixture of sand, dust, mazut oil, and pitch, that builds up in the cars.

"The new plant will have a shop to cast rubber for valves, plus wheel and truck shops. Considering the interregional interest in shipping liquid fuel, we are enlisting as share participants various interested firms and companies which have their own allocated fleets of rolling stock. The Angarsk petrochemical workers are already investing money, as are enterprises in Usolye-Sibirskoye and Sayansk.

"More and more personnel are being enlisted for the construction site. No special hopes are held for the transportation construction workers, who have one sector here. The main work is being done by the road construction-installation trains and track laying machine stations, and

subdivisions of the former Ministry of Medium Machine-building have been invited on a contract basis. Much will have to be changed because of their decrepit condition, including the roofing. The space in the buildings is being redesigned because there will be different equipment. The sewer system, which must serve the entire rail center, is being rebuilt. There are a total of 30 facilities in an area of 85 hectares."

"Things are underway," says V. Trukhin, chief engineer of the plant directorate. "We intend to double the volume of work next year. The road bought a machine repair plant located in the small nearby town of Alzamay, and it is now making nonstandard equipment and gear for us. Other enterprises are going to join up to give us help too. After all, this is a project whose launching will largely solve the problem of keeping the rolling stock in good condition."

POLITICAL AFFAIRS

Question of Moroz Party Leadership Probed

954K0307A Kiev PRAVDA UKRAINY in Russian
3 Nov 94 p 2

[Article by V. Fomenko: "A Party Congress or a Benefit for the Leader?"]

[FBIS Translated Text] Writing pads are in short supply, so I am writing concisely about all of the forums, one after the other. Thus, after the notes on the Rukh seminar I immediately began writing down impressions on the Fifth Congress of the Socialist Party. Now, as I leaf through, horror of horrors, I cannot tell where Rukh ends and the Socialist Party begins. It is not even the fact that both there and here we talk about the welfare of Ukraine, resolution of its crisis, and protection of workers. There is similarity even in the methods of operation.

"Without Chornovil, Rukh would have disintegrated a long time ago," it was said at the Rukh seminar.

At the congress voices were heard proclaiming: "Only Moroz will be able to lead the Socialist Party!"

Familiar-sounding notes, aren't they? "Under the banner of Lenin, under the leadership of Moroz..." Is it possible that neither the rightists nor the leftists learned a thing? Diametrically opposed parties, situated on different sides of the barricades, still get their methods of operation out of the same old trunk.

Did the congressional delegates understand that? By the way, at first everything was proceeding not according to Moroz but according to Marx. The report given by S. Kyryashko, acting chairman of the political council of the SPU [Socialist Party of Ukraine], received abundant all-round approval. Even though the party did achieve some successes—the socialists have 14 deputies in the Supreme Council along with the chairman of the Supreme Council, and dozens of socialists became deputies of local councils, the victory at the ballot box could have been much greater had they acted in a more cohesive manner.

The speakers (Moroz also presented a political report) devoted much attention to the place of the Socialist Party in society.

S. Kyryashko stated—"Some consider that socialists are just plain communists, while others believe that the SPU is a party of social democracy. Both of these views are intrinsically wrong."

It is known that the socialists actually did evolve from that group of communists who did not lay down their arms after the prohibition of the KPU [Communist Party of Ukraine]. But under the new conditions they began acting in a new manner as well. Without rejecting Marxism-Leninism, the Socialist Party creatively filtered it through the prism of today, supplementing that with the world experience of socialist thought.

We see the route to socialism, the congressional delegates stressed, as being attainable through a people's democratic republic. Therefore we recognize the multiplicity of forms of ownership, and the necessity for market relations, and a

multiple-party system." We are against "a cavalry attack on capital," and favor a progressive and, to a significant measure, evolutionary development and reformation of social relations. But we are not a party of compromises and therefore do not confuse us with the social democrats. We favor the priority of public, collective forms of ownership, state power of the workers, and we are opposed to any dictatorship—either by the bourgeoisie or the proletariat.

But soon the "we" became replaced with growing frequency by "he." The first speaker unambiguously declared that the party needs a banner, and that banner is Moroz. And so it began...

I carefully watched Moroz in his new role. As we all became convinced, he knows how to take a blow. Both in parliament, where he is "snapped at" from all sides, and at press conferences, where he is frequently asked "baited" questions, as well as in the course of attacks by the press, where he is openly called "Morozgate."

In other words, he has gone through thick and thin. This congress, of course, is like balm on the wounds. But just try not to acquire too high an opinion of yourself "as the greatest of the greatest" when the audience breaks into applause at the very mention of your name, when lines form for your autograph during intermission, when speakers search for an adjective to depict Aleksandr either as "magnificent" or the "protector of the people."

How could that not turn your head? But no. It did not. As proof (inasmuch as it is now fashionable to publish copies of documents in newspapers) we are including the following note: [rendered in Ukrainian in original]

Please announce

In discussing the report, please do not mention my name in complimentary terms. Better to concentrate on the party's specific tasks, including criticism.

[Signed] O. Moroz

The glorification, however, continued. V. Marchenko, in accordance with his habit as a people's deputy, attempted to express doubts as to whether it is appropriate for Moroz to occupy two posts, but no one supported him, and during the voting for Moroz as party chairman, all the red flags went up.

During breaks, however, other opinions were heard, without protocol or stenographic records. Would the Socialist Party, led by the chairman of the Supreme Council, veer to the right? In parliament, in accordance with his rank, he is required to seek compromises between leftists and rightists. But will that affect the position of the party as well?

Thus the secretaries of the Kiev City Committee of the Socialist Party, V. Arestov and V. Ivanov, candidly complained in a talk with me about the flabbiness and evasiveness of this congress.

"In the declaration following our report and election city conference we openly recorded that the socialists cannot agree with the main points of the president's program," V. Ivanov stated. "After all, in essence it is a program calling for the building of peripheral capitalism, but no real

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indignation was heard at the conference in that connection. How am I going to face the Antonov workers tomorrow and explain the hike in prices to them?"

It is known that a wicked tongue is more fearsome than a revolver. But when journalists begin to wag their tongues, that is to be feared more than heavy artillery. That was exactly what we did for hours before the press conference, waiting for A. Moroz to form his party cabinet.

"He is a far-sighted politician who has taken the lessons learned by Plyushch into account: He will not get by without reliance on the party."

"But will the party continue to listen to Moroz? After all, with the current price shock it will be difficult to keep the people pacified."

"The Communist Party meanwhile will be scoring points."

At that moment someone began quoting Churchill speaking about two bulldogs fighting under a blanket, but was roundly booed into silence.

One thing is clear, however—without resolving the problems, this congress gave rise to others. Therefore one cannot envy A. Moroz as he assumes a new burden at a difficult time.

Tabachnyk on Kuchma Canada Visit

954K0258A Kiev NEZAVISIMOST in Russian
28 Oct 94 p 6

[Interview with Dmitriy Tabachnyk by unknown correspondent; place and date not given: "When Stereotypes Are Broken Down"]

[FBIS Translated Text]

[Tabachnyk] Did you notice that all the meetings, whether diplomatic, business, or governmental, proceeded in a businesslike atmosphere, without the exchange of pleasantries that are mandatory in such cases? Even during the main meeting with Prime Minister Jean Chretien at the top level, there were concerned discussions of forms of technical aid and relations with the Big Seven. The visit was of a practical or, if you will, pragmatic nature. This may be due to the fact that, first, the visit was very serious both for us and the Canadians, and it was prepared scrupulously; each meeting, each episode was planned, and participants carefully chosen. During talks with Bob Ray [name as transliterated], the prime minister of Ontario, for example, major Canadian businessmen who are developing projects in Ukraine took part. One of them, in particular, reported that he already had a plan for remodeling of the Darnitskaya heat and power plant, that it had gone through expert appraisal on all levels and would make it possible to save energy in the amount of \$15 million, and also to clean up the environment considerably. In other words, the discussion was practical, with concrete proposals. Consider also the agreement between Ukraine and Canada to avoid double taxation. I would call this a truly revolutionary move, because there had been no such precedent yet on the part of the developed capitalist countries. This is undoubtedly a major success for Ukraine's foreign diplomacy, opening new horizons for major investment projects. Actually, it is that way all over

the world: Joint enterprises between the United States and Japan, Canada, and France, for example, have long been free of double taxation.

Another aspect: It is not by chance that President Leonid Kuchma's first state visit was to Canada. This reflects recognition that Canada has long been honorably and unselfishly sponsoring Ukraine in relations with the Big Seven, as a kind of mentor and protector. Also not by chance, again, was the specific tone of the talks that was set by Canada, regarding what needs to be done for Ukraine to feel the support of the World Bank and the steps necessary to join the IMF, how to act in order to get technical aid, and so on.

Also important is the fact that Canada is making great efforts to restructure Ukraine's foreign debts: Remember, it was the Land of the Maple Leaf that initiated the present Big Seven conference. Since Ukraine acquired independence, it had not been the object of the Big Seven's attention, any more than Russia. There was the meeting in Naples, of course, but there was no special conference like the one yesterday in Winnipeg.

Naturally, the tone was set by the top officials. Thus, during his meeting with Jean Chretien, for example, Leonid Kuchma emphasized that Ukraine is grateful for moral and financial support, but we have the right to hope for specific political aid—for example, acceleration of Ukraine's entry into the World Trade Organization and signing of the GATT. Lifting trade restrictions would enable Ukraine to export many products to foreign markets, for example metallurgy, chemical, and aerospace products. This would yield more funds than credits. In addition, it would be earned money, which is important.

Consider also the Friendship and Partnership Agreement signed in Ottawa. We have not achieved anything like that with another country. Not one. It is a document that signifies special partnership. That is why we view the results of the visit as a whole, and the Treaty in particular, as a breakthrough. As for the terms of political partnership, now, since L. Kuchma and J. Chretien signed the Friendship and Cooperation Treaty, our political relations have risen to about the same level as Canadian-U.S. relations, which speaks volumes. We are getting a special partner in the Western Hemisphere, thus breaking down the stereotypes of Soviet diplomacy. We can conclude that our political partnership is higher and more valuable than purely economic partnership. Political barriers and complications have been dismantled, opening direct paths to economic cooperation that are just as promising and full fledged as political cooperation.

[NEZAVISIMOST] You mentioned the careful preparations preceding the trip to Canada. Were there any problems, oversights, or crossed wires?

[Tabachnyk] I will lift the curtain of confidentiality a little. Of course, the discussions were on the level of experts and specialists, it had to be that way. There were no fundamental political disagreements. There was some argument regarding the visit's program—you can tell that five cities in four days is quite a lot. It was difficult and tiring. But the Canadians insisted that we cover all five provinces, the five cities that had asked to receive our President. For

example, we spent only a few hours in Saskatchewan. There were talks with the provincial government, an official banquet, and then departure. But the Canadians insisted that Leonid Kuchma's visit was politically important to Saskatchewan. When I was in the UN, by the way, I met with Canada's Foreign Affairs Minister A. Ouellet and asked him to simplify the program a bit, but his arguments carried more weight. A lot of people, and not just Canadians of Ukrainian origin but also politicians and businessmen, all wanted to meet Ukraine's president and his retinue, ministers, specialists, and businessmen.

[NEZAVISIMOST] At yesterday's meeting with the press, a woman reporter asked, "Have you come to get money from the diaspora?" Leonid Danilovich said firmly, "Excuse me, but I have come to Canada." And he said: "If I had not been confident of success at the Winnipeg Conference, I would not have gone." What is that, presidential character or political pragmatism?

[Tabachnyk] It is presidential character and an optimistic view of Ukraine's prospects ever since the broadest segments—from ordinary workers and common folks up to banking circles and parliamentarians—have supported the president's program to carry out radical reforms in Ukraine. And elsewhere in the world it has been perceived with even more enthusiasm than here. The president's speech in parliament was greeted with delight in the West. Ukraine occupies a leading place in Western newspapers. Naturally, this has played a positive role. As for meetings with the diaspora (a million Canadians of Ukrainian origin out of 26 million inhabitants), they were also useful, especially on the moral and emotional plane.

In conclusion I would like to mention the very productive and effective work of our Foreign Affairs Ministry and its harmonious relations with the administration. The work went beautifully, with the pleasure of any meeting of like-thinkers united by the idea of love for Ukraine and responsible for her fate.

Malikov on Corruption, Spying, Strikes

954K0310A Kiev DEMOKRATYCHNA UKRAYINA
in Ukrainian 25 Oct 94 p 1

[Report on interview with Valeriy Malikov, head of the Security Service of Ukraine, at meeting with journalists at the editorial office of UKRAYINA MOLODA, by Vitold Proshchakov; date not given: "We Do Not Anticipate Revolts and Strikes..."]

[FBIS Translated Text] Three months have passed since a new leadership took over the Security Service of Ukraine [SBU]. Since then, several newspapers have published interviews with Valeriy Vasylyovych Malikov, the head of the SBU. These dealt with local problems, so to speak. On the other hand, the meeting with journalists that was held in the editorial office of the UKRAYINA MOLODA newspaper differed both in tone and scope. Essentially, this was a frank talk with journalists about the difficulties and problems that the service encounters in its work in the hope of finding understanding on the part of the press. I should note at the outset that the principle of maximum openness is not just a formality. Openness and accessibility, as Valeriy Vasylyovych stressed, is required by the Law on the SBU, because

such interaction guarantees better performance and builds public trust in the personnel of the service.

The conversation was interesting and incisive. I repeat, the scope of questions was broad and varied, ranging from such, to put it mildly, silly questions as, "Do you turn to people with extrasensory abilities for assistance?" or "Are your employees in contact with aliens from outer space?" to requests to describe the work of individual directorates and various structural subdivisions. In particular, the journalists heard about the work of the new directorate charged with protecting the interests of the state and its territorial integrity and with combating terrorism. This directorate was created in the fall of 1991 to replace the former Fifth Directorate of the KGB. Unfortunately, the directorate is still not fully staffed, even though many young, able people have been brought in. It also has experienced counterintelligence officers within its ranks. The directorate relies on mainly traditional methods, but the nature of its work has fundamentally changed.

"We are not investigating any political cases now," V. Malikov told the journalists. "There is no need for this. But it is our job to hinder structures that try to violate the constitution and the law. I can assure you that thus far all problems are being settled using civilized, democratic methods. This applies to obtaining information and uncovering it, localizing undesirable phenomena, and, especially, combating terrorist actions."

Those present at the meeting also received a detailed response to the question: Is it not true that Ukraine is a corrupt state and that everything is run here by the so-called "fifth estate"? V. Malikov categorically rejected the label "corrupt state," but he confirmed that a "fifth estate" does exist in Ukraine. The credit and banking system has become its chief target. Just recently, 25 criminal groups were uncovered in this sphere. Unfortunately, government officials and law enforcement agents were involved in each case. The transitional period to a market economy is characterized by an outbreak of abuses. Hundreds of people are under investigation. The low percentage of crime exposure is attributable both to flaws in our legislation and to an insufficient level of professionalism on the part of law enforcement personnel. Unfortunately, three SBU officials were also convicted in these cases.

As regards criminal cases, in which investigations have been completed, it should be noted that there were abuses in the Ministry of Foreign Economic Relations, where bribes were accepted by the former deputy minister, by heads of administrations, and by other ministry officials. Instances of large-scale theft were also uncovered in the Budservis [Construction Service] firm, Kharkivptakhoprom [Kharkiv Poultry Industry], Chernivtsimashzavod [Chernivtsi Machine-building Plant], and others. In just a single case involving the sale of gas and oil in Lviv, the state managed to recover close to \$4 million.

There was mention of the speech by L. Kuchma, in which the president stated point-blank that there is a "fifth estate." The scale of corruption is alarming. This is what prompted the president's edict on strengthening the fight against organized crime. V. Malikov stressed that this edict

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did a great deal to improve this work in general and the SBU's work in particular. Special groups of investigators from the different law enforcement agencies have been formed under the direction of the procuracy. Every Monday the president receives a detailed report about how the edict is being carried out and about the operational situation in the country.

This information prompted a logical question from the journalists: "Does devoting so much attention to corruption not have an adverse effect on the SBU's main task—combating espionage?" Here is V. Malikov's response:

No. Not a single agent, not a single spy is being ignored and left unpunished. Although the change in the international situation has changed the scale and nature of this work. It has already been reported that foreign citizen Sarkisyan and military serviceman Tkachenko were convicted for spying at the end of last year. Another 16 so-called informers, who were acting outside the law, were uncovered. Prophylactic work was done with some of these individuals, which enabled us to prevent actions that would have harmed the state. An exposed informer is no longer an informer. What is important is that decisions are made in each case based on the political situation and in strict compliance with the law.

There were attempts to take information out of the country. It should also be kept in mind that until recently all secrets were shared in the former Union. Thousands of volumes in archives were closed. Now everything is open, to some extent making the job more difficult. For example, at one time, six sacks of documents connected with the Chernobyl catastrophe were removed to Moscow.

Describing new elements in the work of the SBU, V. Malikov stressed the importance of the close cooperation that now exists with colleagues in Russia, the U.S., Germany, Spain, and many other countries, especially in the fight against international terrorism and drug trafficking. He also described the work of his agency's information and analysis service. He noted that unfortunately the SBU's predictions often come true. For example, this was the case with respect to the events in Crimea and with respect to some strikes. This kind of information is not difficult to obtain. What is more difficult is preventing undesirable phenomena. One would like to believe the firm assurance that the journalists were given:

"There will be no revolts and strikes in the near future, because the government is taking preventive steps and striving to relieve tensions in society by solving social problems."

Here is what V. Malikov answered to the question posed by DEMOKRATYCHNA UKRAYINA: "How has the training of the SBU's young cadres been organized? What standards are being inculcated in the new generation of intelligence and counterintelligence agents?"

"Unfortunately, I cannot name specific examples and names, but training is based on the following principles: We are forming a collective of true patriots of Ukraine. We are striving to ensure that they are exceptional professionals, conscientious, honest, and highly moral individuals. We are currently completing the creation of the

ideological foundation of our training, the fundamental principle of which is loyalty to the Ukrainian cause."

The journalists were also given a description of electronic intelligence gathering and counterintelligence. The SBU has such facilities. To be sure, so far its technical equipment is inferior to that of the CIA and other intelligence services, but the effectiveness of this equipment is adequate for our needs. The head of the SBU categorically denied the allegations published in VECHIRNIY KYIV about the use of psychotropic substances.

"I assure you," said V. Malikov, "that the SBU has not used, is not using, and will not use such substances."

The discussion also touched on the social and living conditions of SBU officers, who, like the rest of the population, are acutely affected by the hardships of our life. Many SBU workers have no housing. The average wage with supplements for rank and years of service is no higher than 1,200,000 karbovantsi. To be sure, there are certain benefits. These include monthly product rations, special passes to sanatoriums, children's camps, and rest houses, and free passage on public transport. Under the Law on Government Service, SBU officials receive 30 calendar days of vacation time, plus up to an additional 15 days for those with more than 10 years of service.

"As you can see," said our guest, "we are not living in clover. But we have a firm principle: If wages are the only thing that matter to a person, he or she would be better off not working for the SBU. We take decisive steps to get rid of those who give in to temptation to be bought. Unfortunately, this problem exists.

V. Malikov also responded to specific questions about former Deputy Prime Minister Zvyahilsky, against whom a criminal case has been brought. He also reported that the SBU has been instructed to determine the whereabouts of Markulov, the former head of the Liberal Party. As to the unsuccessful search for Boychyshyn, V. Malikov described it as a failing in the work of the agency.

There was also an answer to a question of a purely personal nature: "Where did you learn to speak Ukrainian so well?" V. Malikov said that he was born in Zaporizhzhya Oblast, and that his mother is Ukrainian, while his father, although a Russian, was also born in Ukraine, and therefore it is natural for him to speak Ukrainian and there is no need to make so much of this fact.

Analysis of Pynzenyk, Marchuk Appointments

954K0290A Moscow NEZAVISIMAYA GAZETA
in Russian 2 Nov 94 p 3

[Article by Vitaliy Portnikov: "Leonid Kuchma Appoints First Vice Premiers: New Alignment of Forces in the Cabinet"]

[FBIS Translated Text] One hundred days after he officially assumed office, President of Ukraine Leonid Kuchma has ventured upon radical changes in the upper reaches of Ukrainian power symbolizing, it is true, not so much a strengthening of the positions of the No. 1 as an aspiration to find a compromise between the rival groupings in the "power party" and to demonstrate the actual

start of economic reforms—but in such a way as to ensure that these reforms remain within the control of the president's office.

General Yevheniy Marchuk and Viktor Pynzenyk, doctor of economic sciences, are the new first vice premiers. Marchuk has already worked in the government: Leonid Kravchuk appointed him a vice premier, and prior to this he had been head of the Ukraine Security Service. Now Kuchma has entrusted Marchuk, who performed magnificently in Crimea, with control of the fight against organized crime. Thus the first vice premier will acquire powers that under conditions of a deterioration in the domestic political situation in Ukraine could be decisive. He has already been in charge of power ministries, one of which—the MVD—is now being directed by one of his Ukraine Security Service officers, and the new office now affords General Marchuk the opportunity to adopt decisions which many Ukrainian leaders can only dream about. Marchuk has demonstrated repeatedly in recent years, for that matter, that he is a cautious individual who knows how to play a subtle game, so not abuse of the powers that he has acquired but their skillful use with an eye to the future should be expected of him. Yevheniy Marchuk has a future, and he could for this reason decide to play an independent game. He was hardly “Kravchuk's man” and he will hardly be “Kuchma's man.” Marchuk is “Marchuk's man,” and some Kievan observers believe even that it would be the best solution for the president to associate himself with this team....

Viktor Pynzenyk worked with Leonid Kuchma in the period of the premiership of the present president of Ukraine and was also responsible for economic reforms, which simply never began, it is true. The period of expectation of economic changes is linked with his name, and it was his resignation that signaled the government's abandonment of the former reform declarations and a transition to massive support for the military-industrial complex and the agrarian sector of the economy. But it is obvious that even during the time Pynzenyk was in the government the same policy was supported in practice, and the decisions that emanated from the machinery of the reformer vice premier were far from market decisions (or were eliminated by the premier if they had a market connotation). Nonetheless, Viktor Pynzenyk accomplished his mission at that time: His name enabled the conservative government to talk for quite a long time about itself as a reform cabinet and to “ideologically oppose” the president's office, which although in practice was fully in accord with the policy of the government, lacked Pynzenyk.

Viktor Pynzenyk is now in a different situation: He is once again a symbol, but of far more decisive intentions now. The start of his work in the government coincides with the release of prices, which many people in the post-Soviet space are taking as the start of reforms or even the reforms themselves. A reform center, whose declarations are to contradict the declarations of the Prime Minister Vitaliy Masol, is to be formed around Pynzenyk, and, in addition, Pynzenyk is in time, most likely, to demonstrate (either to say or to confirm by a resignation statement) that it is the premier, who is supported by parliament, who is preventing the implementation of radical economic reforms.

The collision that will arise in this case could be quite entertaining, but it may be mulled only after it becomes clear what parliament has left of Leonid Kuchma's program and what the president himself intends to realize in this program. By virtue of certain particular features of his economic philosophy, Viktor Pynzenyk is not a “classical reformer” but he is a person capable of coping with this role pretty well, and for this reason his appointment may be considered optimum in the present situation: Other possible candidates (Volodymyr Lanovyy, also a former vice premier, for example, who achieved pretty good results at the presidential elections) might have acted more independently, which would not be without danger for the president's entourage. In addition, in the event of a highly probable failure, such candidates would accuse the president of everything, hinting, as it were, that the country needs an economist-leader, not a director-leader, since “Gaydar's policy” has been preferred to “Volskiy's policy.” Pynzenyk will not accuse Kuchma.

So a team that is qualitatively different from the group that supported Kuchma on his way to power is taking shape little by little around Ukraine's second president. This is not Kuchma's team but it is, on the other hand, a team of people capable of playing with the president of Ukraine, and under certain conditions, of sacrificing him also for the sake of continuation of the new course—a course which during the election campaign was not supported either by the electorate of Kuchma or the electorate of Kravchuk or the electorate of Oleksandr Moroz but merely by a small part of the intelligentsia and the entrepreneurs that voted at that time for Volodymyr Lanovyy. It is hard to say whether common sense will ultimately win (most likely it will not), but it is already being declared.

Official Defends Republican Party, Rossiya
954K0339A *Simferopol KRYMSKAYA PRAVDA*
in Russian 10 Nov 94 p 1

[“Own information”: “This Is a Provocation.”]

[FBIS Translated Text] Petr Morgunov, deputy of the Supreme Council of Crimea and deputy chairman of the RPK [Republican Party of Crimea], deemed it necessary to address a statement to KRYMSKAYA PRAVDA. The reason was an interview shown on 31 October of this year on Crimean television, in which one Elyashev, never a member of the RPK, declared that certain party members had ceased to repose any confidence in bankrupt politicians from parliament that had betrayed the president. Petr Morgunov explains.

There was, by all accounts, Petr Ivanovich writes, a meeting on 29 October of this year in the unions' House of Culture of members of the Republican Movement of Crimea of the 1991-1992 model. This movement did exist at that time, and one of its leaders, Mr Averkin, decided, evidently, to resuscitate the movement for his own purposes, taking cover behind the slogan of defense of the statehood of the Republic of Crimea. Many members of that party have not taken part in the work, have not paid their dues, and so forth. And it is these “members” of the Republican Movement of Crimea that certain political forces of Crimea are attempting to use to destabilize the

political situation, satisfy their own personal interests, and ultimately to discredit the Republican Party of Crimea and its leaders. And activists of the RPK today include P. Krot, S. Nikulin, S. Tsekov, A. Melnikov, V. Terekhov, V. Kravchenko, and others.

I would like to emphasize, Petr Morgunov continues, that members of the RPK never took any oath of loyalty to the president, and, if anyone has betrayed anyone, it is President Meshkov, who has betrayed both his own party and the entire Crimean people, having abandoned his campaign program. On the same television program, the reporter Tretyakova announced significantly that there had been some special, emergency congress of the RPK, at which, under the leadership of Mr. Elyashev, some global problems had been resolved. This does not correspond to reality.

All these actions and statements of Elyashev's people, Deputy Morgunov writes in conclusion, are essentially provocative and are aimed at the breakup and destruction of the Republican Party of Crimea and the Rossiya bloc, which could ultimately signify the loss of Crimea's statehood.

Judicial Reform Problems Discussed

954K0259A Kiev PRAVDA UKRAINY in Russian
27 Oct 94 p 2

[Article by A. Zayets: "What Is the Goddess of Justice Lamenting?"]

[FBIS Translated Text]

Notes on the Second Congress of Ukrainian Judges

Recent events at the Supreme Court of Ukraine once again convincingly demonstrated the most lamentable state of judicial and legal reforms in our society. By way of an example, let us look at the decision of the legislators concerning the Communist Party. The decision of the Supreme Soviet of 1991, which prohibited the Communist Party of Ukraine, was repealed by a majority of votes (even with consideration of some shuffling maneuvers that took place). Passions in the hall heated up to such a degree that a brawl appeared imminent.

There is no doubt that this is a serious issue. In most countries, decisions concerning guilt or innocence of a certain political organization is made by a constitutional court. We did not have one three years ago, nor do we have one now. This is what explains the actions taken by the Presidium as well as the edicts signed by Leonid Kravchuk regarding the KPU [Communist Party of Ukraine]. They can hardly be regarded as legal. But let us consider the question, Who could prohibit the Communist Party of Ukraine following the August putsch?

One invariably draws a parallel with the national socialist party of Germany. It was prohibited by the International Court soon after the end of the war. Its crimes were fully proven by the prosecutor and numerous witnesses. Ukraine did not have and still does not have a judicial organ capable of carrying out investigations of KPU

activity. Since that is so, no one has the right to call an organization criminal without an appropriate court judgment.

The cited example is convincing evidence of the fact that the role of the third branch of power—judicial power—is still insignificant in our society, to say the least. Speaking at the congress of judges, the delegates noted the unwillingness of legislators and executive authorities to give up the power of a court system that they had acquired, without which no society can develop in a normal manner. At the same time, they are in no hurry, on the left or on the right, to assign primary importance to the law.

In practice all of this boils down to the fact that people have lost faith in the courts, and to resolve any issue they appeal to the heads of various council organs and the legislators. The Commission on Legality and Law and Order of the Supreme Council is swamped with thousands, tens of thousands, of complaints from citizens who have lost all hope of finding justice through the courts.

Deputy Valeriy Yevdokymov explains the situation that has formed quite simply: The law enforcement system at the local level—the courts and offices of the procurator, are incapable of making final decisions. That is why people are complaining.

But we must not hurry with any conclusions. Let us recall who made our courts what they are. For many years they served (with minor exceptions) as administrative appendages of party committees. Since, as a rule, the first secretary had the final word, instead of the law. The party functionary certainly had enough power to discipline a recalcitrant communist judge.

Or let us take a look at the material and technical support of the courts, at the buildings that house the servants of justice. In most cases, they are hovels. Such a situation, of course, did not occur by accident and is a consequence of many years of oppression of the legal system by a totalitarian regime.

A veteran of the judicial system, Yuriy Goncharenko, told journalists about his attempt to obtain justice in the difficult post-war years. His widowed mother was facing some heavy taxes. The rayon representative offered no solutions except to demand that the grieving woman sign a loan for R250. The young man went to Kiev to see Sidor Kovpak and ask for help. Soon after he returned, the village storekeeper arrived with a sack of flour: "Here, take this so you will not be starving."

It is true, there were some kindly officials around in the land of the workers. Authorities squeezed the last drop out of the people, but those kindly officials did help some, and were appreciated by the people. Each level of power had its benefactors and leaders. They were the ones who "defended" the rights and freedom of the citizenry.

Stereotypes of some of those who existed during the building of "a bright future" surprisingly turned up again. It seems that today no one is against court and legal reform. In practice, however, everything is different. Back in February of this year, the Supreme Council of Ukraine adopted a decree supporting the work of the courts. The Cabinet of Ministers and the local executive authorities are

successfully ignoring the document from that highest legislative organ. Who is one to complain to, where can one seek protection?

Consideration of the law on the status of judges was halted by the Cabinet. It is too much for a judge to have free telephones in his apartment or a 50 percent discount for electric power, that is probably what the officials at the Cabinet of Ministers thought and no one even wants to hear about having to provide a judge with an apartment within a six-month period as required by law. At the present time, 854 judges do not have housing or are demanding an improvement in their living conditions. The situation is even worse with the provision of workers of the legal system with office space. Some 279 courts, including the Supreme Court of Ukraine, lack the office spacings suitable for the performance of legal work.

The cited facts were taken from a report delivered by Georgiy Butenko, chairman of the Supreme Court of Ukraine (unfortunately, Georgiy Andreyevich Butenko, chairman of the Supreme Court of Ukraine, died suddenly on 24 October). It is unlikely that Georgiy Andreyevich was hoping to surprise someone with the numbers. They have been known for a long time to those who must satisfy, but fail to satisfy, the most rudimentary needs of the legal workers

Valeriy Yevdokymov, chairman of the Commission on Legality and Law and Order of the Supreme Court, says, "Our young state is presently experiencing numerous troubles. Life is difficult for everyone, particularly for ordinary citizens. But if we want to build Ukraine as an independent power, we must find the means for courts and other legal organs. They must receive adequate remuneration; otherwise, we shall lose highly skilled personnel who are still sustaining the court system. Should they disappear, there will be nothing to protect the citizen, and consequently, there will be no state for him.

It would be appropriate to recall that a judge gets R800-R1,200 thousand rubles. Those elected by the people get a completely different salary. According to some figures that appeared in the press, a rank-and-file people's deputy earns from R8 million to R10 million.

At the congress there was also a lot of talk about the internal problems of the courts.

Yuriy Nechiporenko, chairman of the Kiev Oblast Court, shared some of his experience, saying, "We are accused of generating red tape, since some cases take years to resolve."

"It is true, ~~at times~~ happen. No one, however, wants to understand ~~the~~ courts are simply powerless and lack the means to resolve many problems. Here is just one of them. Each defendant has the right to a defense. Unfortunately, it frequently happens that he has no money to hire a lawyer. The court also does not have the money to pay a lawyer. What can be done in such a case?

Unfortunately, it is very difficult to cover the entire spectrum of problems heard at the congress. No answers were provided to questions concerning the protection of judges and creation of a judicial police. The question of financing the legal system and the creation of a separate

section in the budget was also left unresolved. The Ministry of Justice is categorically opposed to the separate financing of the courts, even though on its own it is incapable of supplying legal workers even with typing paper, to say nothing of computers and various data processing equipment.

The idea of creating a unified court authority was not supported by a number of the delegates. Courts of arbitration do not consider it possible to be subordinated to the Supreme Court of Ukraine. In other words, there are many problems.

Leonid Kravchuk, appearing before the delegates, was deeply impressed with their troubles and concerns and pledged his support. But such matters as the creation of a constitutional court and adoption of the Constitution of Ukraine do not depend only on the president.

Consensus on Crimea's Independence Lacking

954K0297A Moscow NEZAVISIMAYA GAZETA
in Russian 2 Nov 94 p 3

[Article by Aleksandr Pilat: "No Unity in the Republican Party: The Time Allotted for Aligning the Constitution of the Autonomy With the Basic Law of Ukraine Is Running Out"]

[FBIS Translated Text] Events have been occurring with kaleidoscopic speed in Crimea in recent days. This has been caused primarily by the fact that the Crimean parliament had before 1 November, according to the Decree of the Supreme Council of Ukraine of 22 September "On the Political and Legal Situation in the Autonomous Republic of Crimea," to have brought the constitution and legislation of the Republic of Crimea into line with the constitution and laws of Ukraine.

A meeting designed to restore the republican movement of Crimea of the 1991-1992 model was held in Simferopol. It was about this that Mikhail Golubev, chairman of the organizing committee and member of the board of the Russian-Speaking Movement of Crimea, spoke. He announced that the organizing committee included representatives of the Russian-Speaking Movement of Crimea, the All-Crimea Movement of Voters for the Republic of Crimea, various voters' clubs, the Republican Party of Crimea (RPK), the Union of Veterans of Afghanistan, and the Federation of Independent Trade Unions of Crimea. This has been done, Golubev emphasized, because the Supreme Council of Crimea wants to make revisions and addenda to the Constitution of the Republic of Crimea and thereby "abolish our statehood." The draft law of the Republic of Crimea on amendments and revisions to the constitution observes, in particular, that "the Republic of Crimea is an autonomous, integral part of Ukraine" and that "Each citizen of the Republic of Crimea is a citizen of Ukraine." All this evoked a negative response from the participants in the meeting.

Yuriy Basnikov, deputy chairman of the Sevastopol branch and [as published] of the Crimean Movement of Voters for the Republic of Crimea, observed that the Republic of Crimea should build relations with Ukraine "not simply on a treaty basis but on a basis of sovereignty

and state independence, as a state with a state." And Sergey Shuvaynikov, chairman of the Russian Party of Crimea, said that "it is essential to assemble all forces in order to join Russia inasmuch as Ukraine is in no hurry here." Valeriy Averkin, member of the board of the Russian-Speaking Movement of Crimea, who had just returned from Moscow, announced that Sergey Tsekov, chairman of the Supreme Council of Crimea and chairman of the Republican Party of Crimea-RDK [Republican Movement of Crimea] Party, told deputies of the State Duma of the Russian Federation that there was no need for hearings on the problems of Crimea, Sevastopol, or the Black Sea Fleet. "But such hearings will be held in the State Duma of the Russian Federation on 15 November, and we are forming a delegation for the trip to Moscow," Averkin said. It is recommended that Yuriy Meshkov, president of the Republic of Crimea, head the delegation.

An appeal to politicians and statesmen of Crimea, Russia, and the Republic of Crimea and to all political parties of the peninsula was adopted earlier. It says that the question of the status of the Republic of Crimea should be decided at an all-Crimea referendum and emphasizes the need for the adoption of a law on dual citizenship and the introduction into circulation on the territory of the Republic of Crimea of the Russian ruble. The participants in the meeting are requesting of the leadership of Ukraine and Russia the enlistment in the preparation of a wide-ranging Ukrainian-Russian treaty of the leaders of Crimea and the leaders of political forces of the peninsula. It is recommended that the president of the Republic of Crimea and the Supreme Council of Crimea convene a constitutional assembly for the drafting of a new constitution of the Republic of Crimea and its adoption at an all-Crimea referendum.

Having said that this appeal was open for signing by the leaders of all parties and movements of the peninsula, Gramatin, member of the organizing committee of the meeting, observed that "we do not see here the signatures of the leaders of the Kurultay, Rukh, or the Ukrainian Republican Party, everyone else is signing this document."

Observers note that absent from the meeting were those that were at the sources of the Republican Movement of Crimea, although Lyudmila Meshkova, wife of Yuriy Meshkov, president of Crimea, was present. The meeting sharply criticized Sergey Tsekov and praised Yuriy Meshkov, who "has consistently defended the Crimean-Russian idea." Nonetheless, the participants in the meeting did not succeed in restoring the Republican Movement of Crimea of the 1991-1992 model. It was ultimately decided to create a consolidating body that would unite all forces of the peninsula championing the Crimean-Russian idea.

There was also a meeting of the Coordinating Council of the Republican Party of Crimea—Republican Movement of Crimea Party. In connection with the equivocal nature of the positions of members of the Coordinating Council and the members of the party concerning a resolution of the "Crimea problem" it was decided to convene a special congress of the RPK on 26 November.

The members of the Republican Party of Crimea who are supporters of Yuriy Meshkov, president of the autonomy,

held their own special congress. But it was held behind closed doors. Only the decision of the congress on the dismissal of Sergey Tsekov, chairman of the Republican Party of Crimea, who had departed from the party idea, was made public. As our NEZAVISIMAYA GAZETA correspondent was told in the RPK Press Center, "the so-called congress of 'Meshkovites' was attended by four or five members of the Republican Party of Crimea, and there was not a single member of the Coordinating Council present." Tsekov himself said in conversation with your NEZAVISIMAYA GAZETA correspondent that "the decision of the congress is without authority, as is the congress itself." Emphasizing that all the outlined problems of the Republican Party of Crimea, as in the Republican Movement of Crimea as a whole, will be the subject of discussion at the party's special congress.

Meanwhile the decree of the Supreme Council of Ukraine of 22 September was discussed by the Presidium of the Supreme Council of Crimea, which met on 31 October. Anushavan Danelyan, member of the Presidium, said that, following lengthy work in the commissions and factions of the Crimean parliament, both the first and the second versions of the bills on the autonomy concerning the alignment of the constitution and legislation of the Republic of Crimea with the laws and Constitution of Ukraine would be presented for consideration by the deputies on 2 November. In particular, whereas Article 1 of the Constitution of Crimea in its first version reads: "The Republic of Crimea is an autonomous, integral part of the Republic of Crimea," the second version proposes the restoration of the proposition of this article recorded in the constitution of the autonomy of 25 September 1992 (this constitution is inoperative since the Crimean parliament has restored the constitution of 26 May 1992): "The Republic of Crimea is a law-based, democratic, secular state within Ukraine." It was announced also that Deputy Aleksandr Kruglov proposed that the following phrase be added at the end of Article 1: "...until an all-Crimea referendum has been held." The second version of Article 4 of the constitution of the autonomy recommends the adoption of the following clause: "The Constitution of the Republic of Crimea must not contradict the Constitution of Ukraine or its fundamental principles of democratic, law-based, and political arrangement and the guarantee of human rights and liberties."

Sergey Tsekov, chairman of the Supreme Council of Crimea, expressed his opinion concerning the need for consideration at a plenary meeting of the session of the two versions, noting that it was still not too late for the deputies to present the commission with new versions. The speaker was supported by the members of the Presidium. It was decided also to adopt at the session an appeal of the Supreme Council of Crimea to the Supreme Council of Ukraine, in which the autonomy will defend its position concerning the building of mutual relations with Ukraine on the basis of a bilateral treaty and agreements.

No less than a two-thirds vote of the deputies, that is, 66, is needed for the adoption of a constitutional decision. The alignment of the constitution and legislation of the autonomy with the constitution and laws of Ukraine is currently opposed by 38 out of the 98 deputies.

ECONOMIC AFFAIRS

Crimea Nine-Month Privatization Figures

954K0335A Simferopol KRYMSKIYE IZVESTIYA
in Russian 10 Nov 94 p 1

[Unattributed report: "More Private Ownership: Development of Market Relations Over the First Nine Months of 1994"]

[FBIS Translated Text] The leased form of economic management continues to be the most prevalent form in the nonstate sector, encompassing 82 enterprises (26 percent of the total) and responsible for 22.4 percent of the total volume of production in industry.

The state sector encompasses 203 enterprises (64.4 percent) and a volume of production valued at 8.0352 trillion karbovantsy (73.9 percent).

Privatization of the property of state enterprises in industry is expanding through the creation of joint-stock enterprises of the open or closed variety. As of 1 October 1994, 112 enterprises of the nonstate sector were operating in industry—35.6 percent of the total number. Some 2.9 percent of these are joint-stock enterprises (companies).

The nonstate sector in the construction industry encompassed 58 construction organizations (42 percent of the total number), responsible for accomplishing 49 percent of the total volume of contract work. Enterprises of the nonstate form of ownership include 36 leased enterprises and 10 economic partnerships.

As of 3 October 1994 there were 1,050 peasant (owner-operated) farms in agriculture. These farms account for 14,300 hectares of arable land, 10,900 hectares of which comprise plowed field. This amounts on the average to 14 and 10 hectares per farm, respectively.

In commerce, 892 stores and booths and 503 public kitchens were operating under lease, selling products valued at 3.0745 trillion karbovantsy (31 percent of the total trade volume). An increase was observed in the number of private stores, kiosks, and public kitchens—from 293 as of 1 January 1994 to 328 as of 1 October 1994.

Over the first nine months of this year, 48,500 apartments and single-apartment homes were privatized by the populace, accounting for 2.4 million square meters of living space, or 79 percent of the number of apartments (homes) privatized over the course of 1993.

The overwhelming majority of apartments and homes were transferred to citizen ownership free of charge and with compensation in housing checks for insufficient living space.

Local councils had 31,400 units of available housing, or 65 percent of the privatized apartments. The process of housing privatization took place most energetically in Sevastopol, Simferopol, Kerch, and Yalta.

The greatest number of departmental apartments privatized were in the system of the Ministry of Agriculture, Ministry of Machine Building of the military-industrial complex and conversion, and Ministry of Industry.

On the whole, since the process of privatizing state housing assets began, 109,700 apartments have become personal property, accounting for 5.3 million square meters of living space, or one-fourth of state apartments.

Industrialist Gives Reform Program Stance

954K0308A Kiev PRAVDA UKRAINY in Russian
3 Nov 94 p 2

[Article by Valentin Ilyushenko, general director of the Donetskugol Production Association: "We Share Responsibility for the Fate of the President's Reform Program"]

[FBIS Translated Text] The program speech of the president in the Supreme Council on the basic principles of economic and social policy is the starting point in Ukraine's turnabout toward radical economic reforms. The proposed program differs fundamentally from previous programs in decisiveness and practical determination, and this will permit many leaders locally to contribute to the moneybox of reform their understanding of the very difficult problems of the transition of industrial enterprises to operation under the new conditions.

I shall permit myself to separate out four basic blocks of problems, without a solution of which there will be no cardinal changes in the economy.

The first block consists of management of the state-run enterprises. The leitmotiv of the corresponding section of the program is the restoration of the manageability of state property by means of the use of market levers of regulation and a reduction in the number of enterprises functioning in a direct state management mode. We share this approach absolutely. But experience suggests that there is a danger of the open and, what is even worse, hidden resistance of the supporters of the sectoral principle of management of industry. We are not calling for war to be waged against them, nor do we intend to do so. War never helps. We want to show on the basis of examples of new forms of management, alternative to the sectoral forms, that only the forms that are born of natural economic requirements and that correspond to the objective demands of the market are viable. Associations of the coal-coke-metal and coal-power engineering type and others, the basis of which are horizontal special-interest relations, not vertical coercive relations, could be the new forms.

There are examples of analogous associations. They have shown their viability and efficiency, but have encountered furious resistance on the part of the ministries and departments. We are impressed in this respect by the propositions of the program that reserve for the ministries the use only of the functions that no one other than the state can exercise. This includes the strategy of sectoral development, technical policy, efficient directions of centralized capital investments, the new construction and large-scale reconstruction of state-run enterprises, and so forth. The functions of the operational management and development of the enterprises should be removed from the arsenal of the ministries and should constitute the exclusive right of the enterprises (associations) themselves.

The correlation and prudent balance of horizontal and vertical relations of management is a complex problem

and requires a competent and subtle resolution. Only thus will we retain the positive experience that there is in both. In other words, it is preferable not to break but to build.

Not one commonsensical person would dispute the significance of state regulation in any modern society, in a society of the transitional type even less. But it is a question of why and how this regulation is being undertaken. If in order to confiscate income and redistribute what has been confiscated and to fix prices (even "liberal" prices), wages, export quotas and the currency exchange rate, and so forth—such regulation will give the country nothing other than the collapse of the economy. If in order by a system of laws to shape subjects of the market and the rules of the relationship between them, to pursue an antitrust policy, to ease the social consequences of the transitional period and the structural reorganization, to undertake a currency regulation (regulation, not prohibitions) that prompts money to remain in the country of "registration," and so forth—such regulation is perceived as essential and expedient.

A reduction in the share of the state in the management of the country's economy is the most effective measure of a strengthening of the state itself and a lessening of corruption to limits making it possible to combat it by force of law.

The second block is composed of the correlation of the functions and economic possibilities of the state and local authorities. The fundamental issue of this problem for us is the release of the coal industry from its alien function of upkeep of the social sphere, the burden of which is contained in the price of coal. Thus the Donetskugol Production Association supports one-third of municipal housing and 122 preschools, provides for the supply of heating, power, and water to a considerable part of the city, and tackles many other social tasks. We are supporters of the transfer of the entire social infrastructure to the jurisdiction of the local authorities and are meeting with understanding here on the part of the Donetsk Oblast and city council executive committees. Of course, such a transfer cannot be effected immediately but it needs to be done, and done quickly.

It will be necessary for a resolution of this problem to change the approach to the formation of the revenue side of the local budgets permitting the burdens of the social sphere to be borne. Budget regulation together with the regions (oblasts) being accorded greater economic independence would make it possible to overcome the regional economic insolvency and the preponderance of mandatory inefficient expenditure from the state budget.

The third block is composed of price policy. The removal of the price deformations anticipated by the program is a key feature in the transition to the market of such base sectors of industry as coal, ore, and so forth. The conditions whereby the price of coal is established from above and is kept at a fixed level if only for a short time even, and of products purchased by the coalminers, is revised regularly either arbitrarily or according to market rules, have brought the coal industry to financial collapse. In only 18 months of such price distortions the debt of the coal industry (excess of trade liabilities over accounts receivable) has constituted over 11 trillion karbovantry. I would

recall that in 1992, when the price of coal was released, production in the sector was relatively stable, and the associations showed a profit.

Of course, the prices of such base products as, for example, coal cannot be absolutely free. This is dangerous both for other sectors and for the coal industry itself. We see as the solution the gradual, but relatively rapid pulling of the price of coal up to the world price level under the supervision and with the participation of the state. Specific proposals pertaining to the gradual liberalization of the price of coal were discussed at a workshop in the Donetsk Oblast Council Executive Committee, in which economists from various cities of Ukraine and leaders of the oblast and major industrial enterprises took part.

The fourth block—one of the most important, but, unfortunately, one of the least developed in the program—is composed of problems of labor and its motivation and responsibility. We honestly confess that the causes of the catastrophic situation are to be found not only in the quality of management of the country but also in the fact that people are unwilling to work. The habituation to dependency at state expense was cultivated over decades. A demoralizing influence was exerted by payment for the place of employment, not the results of labor, and the imaginary gratis nature of the social consumption funds, to which health care, education, and such were attributed. The universal right to labor perverted into the obligation of the enterprises to keep or, rather, support the indolent was in practice the exploitation by the idlers, drunkards, and pilferers of the true working people. And the obligation of the state to treat and teach free of charge was discharged differently for different groups of society. The "privileged" and the ranters came in for more from the social consumption funds, and the teachers and doctors were and remain the lowest income-earning, shamefully low-income, categories of employees.

To recognize that nothing is free and that everything has to be paid for is to recognize the need to earn. Those that have become accustomed to living according to the principle "better to lie down for a ruble than to run for R10," let them continue to live on a "ruble." It is important only that the demagogic sobbing over "social justice" not intimidate society and that it be disregarded.

The most important thing in the reform is that all able-bodied persons begin to work, and the concern of the state and the local authorities should consist of ensuring that all those that wish to earn (earn, not receive!) have this opportunity. It is obvious that what is essential for this is the appropriate legislative regulation of labor relations and for the transitional period, perhaps, the requisite strict economic laws and a contract system of hire that not only motivates but also compels labor.

Labor is the economic pivot of the society that we wish to build—a democratic society based on the rule of law, the basis of which is a socially oriented market economy. Both the quality of the market economy and the quality of life depend on labor. In a society living according to the labor principle, the demand made of the state is not wages but the assurance of work and the protection of what has been earned. The market economy has nothing in common with the "he came, he stole, he hid" principle.

I venture to maintain that a different attitude toward labor will determine differences in the attitude toward reform and will engender the problem of social support for the president's program.

There is a danger of it being talked to death. We still have enough demagogues and omnivorous hangers-on ready to run beneath any banners, just as long as they keep or acquire soft bureaucrat's chairs. There are hidden opponents of reform. They will quietly sabotage it. There are also avowed adversaries of radical economic reforms, whose jawbones still tighten at the word "market" and who, taking cover behind cheap populist demands for social justice, are exerting a demoralizing influence on society. There are whiners. These are the ones that do not know what to do, cannot and are unwilling to exert themselves, and are continually, therefore, seeking "interfering difficulties" and, understandably, finding them in people and circumstances.

Whoever knows what to do and actually wants to and can do it, does it. He is the guarantee of realization of the new program.

Let us be realists: Dangers, blunders, errors, and failures cannot be avoided. But their number may be reduced provided that we have united participation in realization of the program and joint responsibility personified within the framework of the competence of each. The pooling of the efforts and creativity of the state, the regions, enterprises, and citizens is a vital necessity.

Let us remember that victory always has many fathers, and that defeat alone is an orphan. It is worthless sharing the propositions of the program and remaining aloof from the president's courageous statement: "I assume all responsibility for the results of the reform." Let us share this responsibility. Let those wishing to remain without responsibility continue to live in peace, but not get in the way, even less act as the judges, of those having nothing to do with this.

I know that the attitude toward the program of socially oriented market reform that has been stated here is shared by the vast majority of my colleagues—leaders not only of coal industry but also iron and steel industry, mechanical engineering, and power engineering. We are bound by long-standing operational ties and economic innovations that have helped us make our way into the market domain under the conditions of managerial chaos and economic turmoil. I am convinced that we will be together as regards support for the cause of the program of reforms also and that each of us has a personal interest in their vitality.

Development of Ukrainian Television Viewed

954K0151B Kiev URYADOVYY KURYER in Ukrainian
11 Oct 94 p 2-3

[Article by Ukrainian Television Union President Volodymyr Tsendrovskyy under the rubric "Conceptually": "National Television: Strategy for Development"]

[FBIS Translated Text] A council was held in Kiev on 19-20 September 1994 on issues of improving state television and radio broadcasting, with the participation of

representatives of state and non-state television organizations from all regions of Ukraine, public organizations and legislative and executive bodies. Blatant instances were cited at the council, testifying to the fact that we now face a real threat of the loss of sovereignty over our own information expanse.

There are four national land-based television broadcasting channels in Ukraine. Only one of them, however, is fully utilized by state television. Our state still does not have its own broadcast satellite or at least a leased satellite, even though 17 years ago the international society opened up the appropriate resource for Ukraine—a satellite positioning location and two broadcasting units. Ukraine has today almost halted the production of national programming, and that is in the face of the fact that we have the Ukrtelefilm Association, where specialists of the highest classes are working. Our airwaves are filled with foreign information and artistic product, of far from the highest quality.

The lack of financing for the development of television broadcasting and the scarcity of funds—even for the amortization of equipment—are creating the danger of a halt, in the very near future, of the transmission of state television programs. But it is difficult to expect anything else from the old, cost-is-no-object mechanism for finance and business operations that has remained virtually unchanged in the television industry. Such methods of business operation are leading to the financial collapse of the industry in the face of galloping inflation, lack of mandatory payments and the decline in receipts to the state budget.

Even that problem, however, is a derivative one. Specialists define as the chief problem of television the lack of an integral state television information policy. The National Council on Issues of Television and Radio Broadcasting was to be occupied with devising that policy in accordance with the Law on Television and Radio Broadcasting. It has still not been formed, however. The creation of the National Council is still being delayed as well. The state of uncertainty that reigns in television today is clearly advantageous to someone. Advantageous in particular in that through the lack of a National Council, there is no legitimate organization that could manage the distribution of broadcast frequency channels.

The broadcast channels themselves are the most valuable thing there is in television. Their quantity is restricted, and may not be increased either through imports or through investment. He who controls the channels holds sway over television.

We have four nationwide broadcast channels today: the first, which encompasses 100 percent of the viewing audience of Ukraine, is held by the Ostankino Moscow television company. The second, which also encompasses almost all of the viewing audience of Ukraine, is held by UT-1. The third encompasses about 80 percent of the viewers, and is divided between UT-2, UT-3 and the Russian Television and Radio Company, and is effectively the last channel. The fourth, which has actually been created through back-up and return of the national radio-relay lines, encompasses approximately 60 percent of the

audience, and is used primarily by the American company ICTV and, partly, by local television companies.

One or two high-capacity transmitters could also be installed, or are already present, in each oblast center; they could cover a considerable portion of the oblast with their broadcasting, and they are very attractive to the television companies, particularly if one takes into account their inclusion in a system of satellite communications (five channels in a national network are possible). Each oblast has an average of about 40 small low-capacity transmitters at the city or rayon levels. That capacity is being utilized, as a rule, by local television companies or studios.

The first three channels are still the province of the State Radio and Television Company, although in accordance with the Law on Television and Radio Broadcasting it is also supposed to apply for a license to the National Council. An experiment was conducted with UT-2 and UT-3 within the framework of Derzhtele-radio, and it proved unsuccessful overall. As for all of the non-state television and oblast television and radio broadcasting, it is left to exist at best on the fourth channel and on transmitters at the local level. This approach has had grave consequences in practice, however. There is a chronic lack of funds at Derzhtele-radio to pay for broadcast channels, which has in turn put the RRT concern that answers for the state of the broadcast network in all of Ukraine at the brink of bankruptcy. The state television structures were forced, to at least make ends meet somehow, to lease broadcast time to commercial structures illegally. That has only deepened the legal chaos in the television industry, and totally snarled the situation.

The necessity of the urgent rebuilding of the system of national television and radio broadcasting is understandable to all today. The Ukrainian Television Union, in consideration of the fact that the National Council has not yet been formed, has proposed its own conceptual model for this rebuilding. Its goal is a restoration of the sovereignty of Ukraine over its own information expanse, through the granting of up to 75 percent of broadcasting to national television companies (counting state, non-state and joint television enterprises), the emergence of 50-60 strong and competitive television companies (state and non-state) at the regional level, the formation of a normal competitive environment in the television industry, and the enlistment of additional funds, first and foremost regional and foreign capital, in the development of the sector.

The chief idea of the conceptual model is the demonopolization of television broadcasting as the sole means for the survival of television.

The Ukrainian Television Union has proposed—instead of patching holes—a restructuring of the system for the distribution of broadcast time on the nationwide channels. A scheme with the following look has been generally proposed:

1. The channel that is held by Ostankino would remain under its use. Ukraine should, in our opinion, receive 5-10 percent of the broadcast time on this channel within the boundaries of the CIS in the event the

appropriate international agreements are reached, with the license for broadcasting on the first channel given to UT-1.

2. The channel occupied by UT-1 today would remain at its disposal only in an amount that it is able to pay for (40-50 percent of the broadcast time). UT-2 would be granted 40 percent of the broadcast time on that channel, with its remaking into an independent structure (possible of the joint-stock type) and conversion to self-financing; 10-20 percent of the broadcast time on that channel would be allocated to oblast state television and radio committees for broadcasting in their own oblasts (the channel should not be used during that time for nationwide broadcasting).
3. The channel on which the Russian Television and Radio Company is operating today could be distributed on equal principles—up to 15 percent of the broadcast time—among UT-3, which must be converted into a purely commercial structure, two Ukrainian non-state television companies for nationwide broadcasting (the Slavutych and Kyy television companies are being proposed as those companies), and one foreign or joint television company (for instance, ICTV). Oblast state television and radio companies and non-state regional companies for broadcasting to all of Ukraine could receive 20 percent of the broadcast time on that channel.
4. The fourth channel is remade into the National and Regional Public Broadcasting Channel. The broadcast time on that channel must be distributed among non-state regional television companies in accordance with applications that are submitted, which must be coordinated among each other. The National Council on Issues of Television and Radio Broadcasting issues a license for the right to broadcast to each company in accordance with it.

The mechanism for the functioning of the National and Regional Public Broadcasting Channel can be understood using the example of the three southern oblasts of Ukraine—Odessa, Mykolayiv and Kherson—where the channel project is being launched right now. The oblast non-state television company broadcasts 86-88 hours a week in each oblast, the rayon television studios 12-14 hours a week, and the television companies of neighboring oblasts two hours a week each (a total of four hours).

Information will naturally be reaching the most remote points in each oblast in the event of the successful accomplishment of oblast and interoblast broadcasting on the National and Regional Broadcasting Channel. Neighbors will find out about and understand the problems of one another. Conditions will be created for the production of our own, domestic programming product.

The fact that the non-state television companies themselves will be taking part in the work of the National and Regional Broadcasting Channel is important as well. They will not require funds from the budget, rather making use of local sources of financing. Non-state television companies have their own, quite stable television audience. The non-state television companies, finally, will be pretty good competition for the oblast television and radio committees

of Derzhteleradio, which will create a competitive environment, foster an increase in strong state and non-state television companies, and create conditions under which a monopoly in the area of oblast broadcasting becomes simply impossible.

The spending of non-state television companies, according to the calculations of experts, will total from 700 million to one billion karbovantsi, of which 300-400 million will be spent for leasing the radio relay lines and 400-600 million for the maintenance of personnel. This total is not too large. It is meanwhile entirely possible that this spending could be reduced as well.

The Fund for the Development of National and Regional Television and Radio Broadcasting was partly to have resolved such problems. That fund, aside from gathering funds for the development of the material and technical base of the television and radio organizations, is also given the task of developing broadcasting networks, training and retraining core personnel for television, and create a Radio and Television National Product Bank, among other things. The Fund is planned to be remade into a center for the development of national television. That is why the most prestigious representatives of the regions, public organizations, business structures, and figures from culture and the arts must be part of the oversight council for the Fund.

The structure of national television and radio broadcasting, in accordance with the conceptual model for the Ukrainian Television Union, was to be somewhat reminiscent of a pyramid, with approximately 400 local, rayon and city television studios and television companies at its base, 50-60 state and non-state oblast companies (the numbers of the one and the other approximately equal) at the next level, and several state national television companies, joint television corporations and non-state companies at the nationwide level at the next level. The Fund for the Development of National and Regional Television and Radio Broadcasting, the Television Union and the Administrative Council of State Television and Radio Broadcasting would complete the whole structure. The overall regulation of the relations in the system of national television and radio broadcasting was to be exercised by the National Council on Issues of Television and Radio Broadcasting.

This structure for national television and radio broadcasting is marked by a streamlined and logical nature, simultaneously providing independence for each element and an opportunity for unrestricted development. The structure would thus meet the interests of state and non-state television structures and of regional and nationwide broadcasting, and provide an opportunity to combine the upholding of national interests with the enlistment of the necessary foreign investments. It is important that time be granted on the basis of licenses for a period of 5-7 years, and not by the tender mercies of a bureaucrat. More or less serious investments can be attracted under such guarantees.

This conceptual model, on the other hand, corresponds entirely to the prevailing economic base, and first of all the Law on Television and Radio Broadcasting. The National Council on Issues of Television and Radio Broadcasting is also preserved as a monitoring body, and is to issue

licenses to television companies for the use of broadcast time, moreover on an equal basis regardless of their status and the forms of ownership.

The idea of demonopolization of television has naturally found support in various regions of Ukraine among the non-state television companies. Some representatives of the executive and legislative branches in Kiev have also supported them.

It has been revealed, however, that there are also those to whom the idea of the demonopolization of television is not very appealing. These forces have other plans. A draft edict has been born in the bowels of certain power structures that envisages, instead of demonopolization, the creation of a state supermonopoly modeled on the Ministry of Television, with everything subordinate to it—from the production of programming to the means of its dissemination. The most important thing is the consolidation in it of most of the nationwide broadcast channels. Bureaucrats from state television and other lobbying groups at the higher echelons of power have been "pushing" this idea for several years now with a persistence that deserves better application. Various editions of this draft edict exist. But they all have a common purpose—to include the enterprises that are engaged in the operation of the technical means of the dissemination of programming (radio relay lines, transmitters, relay stations) in the system of state broadcasting.

One—and far from the principal—of the consumers of the services of these enterprises, and which, moreover, is in chronic financial crisis, is thus seeking unique opportunities for the uncontrolled management of the national television information network. Imagine, in order to comprehend the entire absurdity of these demands, if the entire publishing base of the country, all of the means of delivering and disseminating published product (transport, mail, kiosks etc.) were subordinated, say, to the newspaper DEMOKRATYCHNA UKRAYINA. Second, the allocation of the main nationwide broadcast channels to that State Television and Radio Company. If we were to continue the analogy with the publishing of the mass media, this would be equivalent to subordinating the subscription campaign within the boundaries of all of Ukraine to that same publication.

And more. Taking into account the necessity of the development of non-state television given the financial insolvency of the state, all of these same bureaucrats want to gain the right to attract to the system of—still formally state—television financial and television partners, including foreign ones, deciding on its own with whom to deal and with whom not. Even an outsider can comprehend to whom that is advantageous. And we can talk about state influence on this process when the true masters of television are very hard to reach through a hierarchy of leadership that includes the minister of television, the vice premier responsible for television, the prime minister and the president of Ukraine, who will formally answer for the state of affairs in television. The interests of the regions and television as a whole, as well as executive power itself, will naturally not be taken into account therein.

What is the way out of this situation? How can seemingly irreconcilable things—the highest interests of the state and

the corporate interests of the sector, the interests of the various branches of power, the various forms of television, and the interests of the people of Ukraine and particular individuals—be reconciled? We do not, it is true, need to reinvent the wheel. It would suffice to turn to the experience of countries that already have formed a civilized television-information expanse, and reject some of the stereotypes of bureaucratic thought.

What does world experience show? First, that the supervision of the system of state television is exercised on an equal footing by the legislative and executive branches, and the bodies for the management of television are collegial bodies. Second, that all of the companies that are part of the system of state television are entirely independent and not subordinate to any ministries or agencies; they are rather monitored quite tightly by the taxpayers and the state, not by particular individuals in anonymous offices. Third, the state never maintains television companies beyond the ability to finance them. Even in such "poor" countries as Britain and France, the state maintains no more than 1—2 broadcast channels. And the emphasis is placed everywhere on the system of regional broadcasting.

We are thus proposing the creation in Ukraine of an Administrative Council—State Television and Radio Broadcasting as a unified higher extradepartmental body for the management of the system of state television. The Administrative Council should be composed of 8—10 people, who are named on an equal basis by the President and the Supreme Soviet. This body could be under the President of Ukraine (the Italian model), under Parliament (the British model), or under the National Council on Issues of Television and Radio Broadcasting (the French model). This body should in no case have any influence on the business and creative activity of the television and radio companies and the state broadcast networks. It should, at the same, time, have enough authority to monitor the situation in state television (the distribution of budgetary funds among the television and radio organizations and the communications enterprises, the final say in naming the executives of enterprises in the state system of television and radio broadcasting, approval of the programming concepts for state television companies, the monitoring of their upholding of laws etc.).

That body would naturally have to supervise the entire system of state television and radio broadcasting, and all state television and radio organizations, radio communications concerns (RRT), and the enterprises that are to be engaged in the launch and operation of a national satellite for television and radio communications are all included in its sphere of authority. The advantages of this model are obvious—the anonymity of supervision and the possibilities for corruption, for the appearance of the next "Suslovs" or "Goebbels," are removed in television, the fight of various branches of power for monopoly influence over television would end, and television would truly begin to be monitored by the citizens.

The opponents of civilized methods of solving the problems of television refer to the requirements of strict state monitoring that, by their assertions, could be exercised only by a Ministry of Television, which is essentially a state supermonopoly. The monopoly actually interests its

adherents for another reason—the possibility of controlling that which does not belong to them; dominion over "telephone" or "pocket" rights, with widespread opportunities or corruption and the plundering of state property. The fighting methods of these "defenders of state interests" are typical as well—backroom deals and the discrediting of their opponents with the aid of the gutter press.

Most of the specialists representing the regions and the non-state television companies who were present at the council mentioned at the beginning of the article fortunately supported the proposal of the Ukrainian Television Union, and made a number of felicitous additions and corrections. They seemed to understand that the exercise of this authority would facilitate the mutual understanding and convergence of the regions of Ukraine and a genuine consolidation of society from below, rather than through the foisting of ready-made recipes from above.

And we should not be frightened of "regionalization." The chief threat to state interests does not lie in that. It is difficult to count on the stable development of national television without the creation of a strong base for it in the regions. We will be very quickly remade into a passive object of cultural and informational colonization on the part of the "civilized world" without contemporary and market-competitive television.

The question we face today is as follows—either we move forward, by means of the demonopolization and democratization of television, or we consent to the role of being an "information colony." The time to decide has come.

Independent Miners Union Resorts to Anarchy

954K0151A Kiev URYADOVYY KURYER in Ukrainian
11 Oct 94 p 2

[Article by UK staff correspondent M. Lisovenko: "The Donbass: Resorting to Extreme Measures"]

[FBIS Translated Text] The economic situation in the Donbass continues to grow more difficult. Inflation, the incessant rise in prices, the lack of prospects—all of these are destabilizing the situation in the region.

Tow seats of tensions have been at the center of public attention over the last two days: the hunger strike by a group of miners at the Krasnodonvuhillya Association, and the strike by teachers in the second largest city in the Luhansk region, in Krasnyy Luch.

The coal miners launched their action to try and make the state pay them the money they are owed for August and September, as well as to win a new wage increase. A commission headed by Vice Premier of the Cabinet of Ministers A. Dyuboy, as is well known, was working in the Donbass this summer by order of the President of Ukraine. The commission was to solve the overwhelming majority of the problems that were facing Derzhvuhleprom [State Committee for the Coal Industry]. It was not, in the opinion of the miners, able to do so. A delegation of Donbass residents recently visited Kiev for the same purpose. They were received at the highest level, but they also feel that the problems of the sector, and first and foremost wages, are not being fundamentally resolved.

The Independent Trade Union of Miners, against the background of this grave and already contradictory situation, has given its consent to a hunger strike by a group of employees of the Luhanskvuhillya Production Association. The miners of course have the right to protest, but in this case they resolved to exercise that right at none other than the office of the general director of the Luhanskvuhillya Production Association, V.S. Kochanov, who also had the right to call the police, which he indeed did in order to ensure the normal operation of the association.

This is not the first time the leaders of the Independent Trade Union of Miners have used methods of anarchy. We still remember the day when that organization, in coordination with the railroad and aviation workers, halted a number of trains and aircraft around Kiev. Now comes this new act, which has as its aim disrupting the Donbass and Ukraine at such a difficult time for them. One would like to believe that the Krasnodon crisis will be resolved quickly, or at least more quickly than the one in Krasnyy Luch, which is much more complicated and dramatic. The teachers at 30 schools in the city went on strike there. They are demanding an increase in wages, feeling that the 450,000 karbovantsi that a teacher in category one receives, in a mining region with its high pay for workers in other sectors, does not provide humane living conditions. The local authorities cannot help the teachers, and since that is the case the schools are not operating, the children are not learning and the situation in the city and its outlying areas is critical. The striking teachers are negotiating with the authorities, but matters are not moving forward.

Everyone in the Donbass is hoping, as before, that the Supreme Soviet will have the final say here.

Cholera Dropping, Infectious Diseases Up

954K0342A Simferopol KRYMSKAYA GAZETA
in Russian 10 Nov 94 p 1

[Article by Lyudmila Konovalova: "Breeding Ground Shut. Breeding Ground Open: An Alarming Situation"]

[FBIS Translated Text] A breeding ground of cholera in Simferopol and Simferopol Rayon has been shut. This is how health inspectors term the cessation of incidence of disease. Over the course of 20 days, not a single individual has entered the cholera hospital suffering from the illness. Experts believe the epidemic is over, and they do not expect any more people to fall ill with cholera. But this is only in Simferopol and Simferopol Rayon.

Alushta continues to be an alarming hot spot on the epidemic map of Crimea. The number of individuals ill with cholera here increased to 15 in the past week, and 11 carriers of the disease were identified. The situation in this resort city is exacerbated by the lack of water. Water is turned on once a week in Alushta. Thus, washing thoroughly and with great care is not a realistic remedy. True, two nonworking days have gone by in Alushta without any tragic increase in the number of ill persons. In all, during the period of the epidemic in Crimea, 186 individuals have fallen ill and 33 others have been identified as carriers of cholera.

This statistic does not include Sevastopol, where the incidence of cholera has fortunately been limited to one person, and the breeding ground was shut 20 October.

But, Sevastopol residents, like all Crimeans, suffer greatly from other infectious diseases. If we compare just the last week of October 1993 with the same week of this year, we see that the incidence of infectious gastrointestinal diseases, including dysentery, has increased four-fold. Hepatitis-A has increased 2.7-fold. Especially alarming to the health inspectors of Sevastopol is the significant growth seen here this year of the grave infectious disease diphtheria. Whereas in October 1993 the disease was not observed at all, in just one week of October this year, 18 people entered the hospital with the diagnosis "diphtheria."

As we can see, our social problems are not only blossoming as a result of inflation and price increases. They are also evident in the double flower of infectious diseases. And here the doctors are helpless.

Donetsk Oblast Import-Export Statistics

954K0338A Donetsk VECHERNIY DONETSK
in Russian 10 Nov 94 p 1

[Unattributed report: "Export-Import Operations: Coke and Jackets..."]

[FBIS Translated Text] Our editorial office has received a spot report from the oblast statistics directorate "On Transactions Involving Customer-Supplied Raw Materials in Foreign Economic Relations for Third Quarter 1994," stating that imports of customer-supplied raw materials over the first nine months of this year were valued at \$29,685,800, including \$12,165,800 for third quarter. Export production from customer-supplied raw materials over the first nine months amounted to \$18,677,800, including \$8,918,700 for third quarter. This is significantly greater than the export data for first and second quarters.

Transactions involving customer-supplied raw materials comprise a basic portion of foreign economic activity. The following varieties of raw materials have entered the oblast for processing: unalloyed rolled steel, copper and lead scrap and by-products, zinc concentrate, unprocessed zinc, cathode copper, zinc, coking coal, hard-coal concentrate, fabric, soles, emulsifiers, naphthalene, phenolic oil. The following production output manufactured from customer-supplied raw materials is presently being exported: aluminum products, lead ingots, brass, bronze, metallurgical coke, unprocessed metallic zinc, rolled copper and brass, piping, footwear, yarn, men's jackets and shirts, light overcoats, and medicines. Results of the first nine months show that exports of customer-supplied raw materials were valued at \$789,300, including \$777,600 in the third quarter.

Donetsk Oblast exports the following varieties of customer-supplied raw materials: wire, lead, kapron and rayon thread, and braid. Imported production made from customer-supplied raw materials (curtain and lace fabric, batteries) was valued at \$146,500, for third quarter—\$145,000.

Commercial Banks Score Taxation Policy

954K0232A Kiev VECHIRNIY KYIV in Ukrainian
25 Oct 94 p 2

[Article by Oleksandr Suhonyako, president of the Association of Ukrainian Banks, under the rubric "Taxation Policy": "The Commercial Banks Are a Bottomless Pocket for the State"]

[FBIS Translated Text] Monetary policy in Ukraine long ago fell hostage to the budget deficit and the demands of the staunch supporters of the agro-industrial and military-industrial complexes. Political passions rather than economic expediency rule in the setting of economic priorities. The result is that in its desire to patch the endless holes in the budget, the state puts ruinous tax pressure on producers, on middlemen, and on credit and finance institutions. Trite though it may be, our subject today is taxation policy in the banking sphere.

As of 1 January of this year, the tax base in Ukraine was changed yet again—instead of taxing profits, they began to tax income. Instead of the previous rate of 35 percent of their profits, banks began to pay 55 percent of their income. Thus, in one day, the size of profit left at the bank's disposal was reduced by nearly 30 percent. The difference in the rate of taxation for industrial enterprises and banks reached 33 percent. In other words, the rate at which banking was taxed was 2.5 times higher than the basic tax rate in the national economy. This is how an assault on the country's own credit and finance system was prepared.

Naturally, it did not take long for the banks to feel the effects—the growth of their profits in the first quarter of this year plunged sharply as compared with the growth of other indicators. While incomes, expenditures, and wages increased 1.5-fold during this period and budget deductions 1.9-fold, profits rose only 1.3-fold. Over the period of a year, from April 1993 to April 1994, bank incomes increased 11.5-fold, expenditures 19.2-fold, taxes 12-fold, but profits only 8.1-fold. This trend continued in the second quarter: Deductions into the budget increased 1.52-fold, while profits rose only 1.46-fold.

The effects of increased tax pressure are obvious. To begin with, it is becoming extremely difficult for banks to augment their charter funds. Yet, as we know, this accumulation is one of the key factors in improving liquidity indicators, that is, increasing the solvency and financial stability of banks and the banking system. In turn, due to a sharp drop in their own funds, banks cannot pay significant dividends on their stocks. As a result, bank stocks are becoming less attractive to the public, which is becoming more willing to invest money in the securities of dubious financial structures. The state has not yet drawn up serious game rules for the latter, and so they are able to act outside the law, accumulating huge sums and, naturally, not worrying about liquidity. There is also little hope that state enterprises will become potential shareholders in banks. Though they have the right to buy bank stocks, they do not have the right to receive dividends on these stocks (the Ministry of Finance gets them instead). It is therefore very difficult to get state enterprises interested in these stocks. In addition, because of the drop in production, the growth

of the payments crisis, and high taxes, the majority of state enterprises are on the brink of bankruptcy. A large number of commercial structures, the potential shareholders of banks, find themselves in the same situation. In other words, a status quo is being created in which criminal "shadow" economic structures are emerging as the only potential buyers of large blocks of bank stocks, or even a controlling interest. Today, these structures control large sums of money and constantly face the need "to launder dirty money." And so they use intimidation and force, very professionally and brazenly, in an attempt to merge with legal bank capital. Consequently, corruption and criminality may ultimately destroy banking, and the financial difficulties in which banks find themselves is helping this happen.

Second, the sharp drop in profits is forcing banks to fold their programs for technical development and introducing modern technologies and services. This creates the danger that our banks will lag catastrophically behind the banking institutions of neighboring countries. Today, not a single one of our banks is among the 500 largest banks in the world, and there are only two Ukrainian banks among the 100 largest banks in the CIS countries. If this trend continues, this gap will grow.

Third, reduced bank profits are causing a crisis in the establishment of a network of bank branch offices. Ukraine today has six to 10 times fewer banking institutions per 10,000 persons than in developed countries. This gap, too, can only widen, inasmuch as large capital investments are needed to create and develop branch offices. As things stand now, banks simply do not have this capital. Moreover, in today's economic conditions, branch offices only make life more difficult for banks. Falling profitability in banking operations, a decrease in business activity, and the reduced solvency of enterprises adversely affect the performance of branches first and foremost, because of the small volumes and insufficient differentiation in their operations. Thus, if the existing system of taxation remains, the number of banking institutions will not increase but decrease.

And, finally, another consequence—perhaps the most important one. The decrease in bank funds has had an adverse effect on the indicators of liquidity of banks. Huge, immeasurable taxes, coupled with falling production volumes, a contraction of the credit and finance market, and the decreasing profitability of banking are pushing banks to the brink of bankruptcy. According to data compiled by the Association of Ukrainian Banks, nearly 30 banks ended the first half of this year with losses. If the economic situation does not improve, by the end of the year one third of Ukraine's banks may go bankrupt. We scarcely need to explain the consequences of this for Ukraine's economy.

It is quite obvious that the discussion about taxes in Ukraine has been going on much too long. No matter how much we would like it to be the case, there is no special Ukrainian way, unknown to others, in which "the banks can survive and the budget be sated." Here is how the situation in Ukraine compares with the rates at which banks are taxed in neighboring countries. In Belarus this rate amounts to 30 percent, in Moldova—35 percent, in

Uzbekistan—35 percent, but banks are exempt from taxes until 1 January 1996 for that portion of profits that is used for development. In Turkmenistan banks are taxed at a rate of 25 percent, and in Lithuania, at 29 percent, but profits channeled back into the development of banks are taxed at a rate of 10 percent. In addition, all these countries tax profits. Even in Russia banks pay a 43 percent profits tax, but the country faces its own great-power problems stemming from large budget expenditures. Thus, with its 55 percent rate, Ukraine ranks ahead of everybody else. It is therefore not surprising that we rank first among the countries deemed dangerous for capital investment. Second on this list is Georgia, with Angola standing third and Yugoslavia fourth. No need for further comment, as they say.

There is no question that it is now becoming obvious that the principal task of the state leadership is to revive economic conditions. And the principal instrument for accomplishing this task is cutting taxes. It is clear that in our conditions tax policy must be of a markedly stimulating rather than fiscal nature, while retaining its regulating and fiscal function, of course. This requires changing the source of taxation. Taxing profits instead of income. The rate at which banking is taxed should be no higher than 30 percent, that is, equal to the basic rate in the national economy.

Banks must also be exempted from taxes on that portion of their profits that is channeled back into development, that is, into the construction of office facilities and money vaults, automated banking systems using modern computer technology, telecommunication networks and communications systems that make it possible to hook into such international systems for protecting payments as SWIFT, Reuter, and others, as well as profits used to issue securities and payment instruments—checks, promissory notes, debit and credit cards. It is also necessary to exempt banks from taxes on funds used to create reserves to cover risks, as is customary in world banking practice.

There is more to be gained by our state today by giving up a portion of revenues into the budget from banks than by having to face the problem of a series of bankruptcies of banks. The latter will deal a blow to depositors, clients, and the economy as a whole. A national deposit insurance fund created on this basis would provide us with a civilized way to proceed through the processes of bankruptcy, acquisition, or restructuring of bankrupt banks with a minimum of harm to society.

INTERNATIONAL AFFAIRS

Australia, Ukraine Jointly to Mine Titanium in Ukraine

954K0273A Moscow KOMMERSANT-DAILY in Russian
1 Nov 94 p 10

[Article by N. Zimin: "Australians to Mine Ukrainian Titanium Deposits"]

[FBIS Translated Text] As reported in the mass media from Sydney on Friday, in the course of the annual meeting of shareholders of Renison Goldfields, an announcement was made about the conclusion of an agreement between that company and the Ukrainian MFS Joint-Stock Company on the joint mining of titanium deposits in Ukraine.

As indicated by a representative of Renison Goldfields, 40 percent of whose shares are owned by the well-known British Hanson Corporation, the Ukrainian MFS Joint-Stock Company became Renison's partner and in turn was granted the right by the State Committee on Geology of Ukraine to represent its interests in the development of Ukrainian titanium deposits.

In accordance with the provisions of that agreement, Renison gets an exclusive right to mine titanium on the territory of Ukraine. In addition to that, the agreement also covers a number of Ukrainian deposits that are already being mined.

As indicated in the Renison Goldfields announcement, it began studying the possibility of cooperating with Ukraine as early as in June of this year and currently believes that the former Soviet republic holds the potential for "an entire series of possible projects that are already showing promise for large-scale commercial development." According to a representative of the Australian company, drilling operations will commence in December of this year, in accordance with the established schedule.

As noted by international experts, this agreement will further strengthen the financial position of Renison Goldfields. The fact that the agreement with Ukraine occurred specifically during the annual shareholders meeting is "most convenient" since over the past several years the company has been experiencing certain financial difficulties.

MOLDOVA

Ethnic Russians Treated as Second-Class Citizens

954F0262A Moscow NEZAVISIMAYA GAZETA
in Russian 29 Oct 94 pp 1, 3

[Article by Natalya Prikhodko, under the "Diaspora" heading: "Russians in Moldova Have Replaced the Jews: They Expect No Help from Moscow"]

[FBIS Translated Text] At the Kishinev [Chisinau] Civil Registrar's Office, only the death certificate form has been duplicated in the Russian language. Naturally, more joyous events occur in the lives of the local Russian speakers as well—births, marriages, divorce. However, the fact that registration for those who come and do not speak the state language has been thus complicated naturally casts a shadow on their existence. Despite Moldova's current laws, by the way.

Meanwhile, in the legislative sphere, which also regulates citizens' national rights, the chairman of the parliamentary commission on human rights and national minorities, Vladimir Solonar, has attested to definite progress, as testimony to which he cited the country's new Constitution, passed by the Moldovan parliament. In the constitutional articles on education, for example, the citizen is assured the right to choose his language of study and education. Moreover, an additional, seventh, section clarifies that for seven years any changes in the law on the functioning of languages in the Republic of Moldova [RM] can be passed only by a two-thirds vote. The law guarantees the right to study for all degrees both in Moldovan and in Russian. The theoretical base created has helped halt the practical process of eliminating education in the Russian language that was started by Nikolay Matkash, former education minister and candidate from the Christian Democratic People's Front. It has also been possible to avert the requirement that personnel know the state language, a requirement that threatened another outbreak of tension. The legislators decided to postpone the attestation planned for April of this year to 1997, having thus substantially shortened the list of individuals qualified for it and the volume of required knowledge. In fact, it is true that today state workers must know the state language, noted Vladimir Solonar. The forced switch to Moldovan carried out by the former leadership is irrevocable. Especially since there are extreme difficulties with providing expensive bilingual record-keeping, given the present meager budget. In this case it would be wrong to talk about anyone's ill will (which there does not seem to be even now); it is a matter rather of the pressure of circumstances.

Actually, those circumstances alone, emphasized Vladimir Solonar, do not explain the newly revealed desire to supply power structures with representatives of the ethnic majority. This is a dangerous trend, inasmuch as a mono-ethnic leadership cannot properly govern a multiethnic society. Moldovan legislators heard exactly this warning during their travels through the United States and Canada, where, they were told, in forming both higher- and lower-level guiding organs, especially law-keeping organs, they should try to bear in mind the principle of proportional ethnic representation. It is better for Indians to deal with

an Indian policeman, who, knowing that his fellow Indians consider it improper to look whoever one is talking to in the eye, will avoid raising futile suspicions. In order to avoid analogous problems, Vladimir Solonar related, in the draft law "On the Rights of Persons Belonging to National Minorities," which he drew up with his co-author Mikhail Sidorov, they made provision for the principle of proportional ethnic representation in Moldovan Government organs.

Nonetheless, the chances of looking the leader of one's nationality in the eye is becoming increasingly slight for non-Moldovans, who comprise more than a third of Moldova's population. According to information from Valentin Krylov, a deputy from the Socialist Unity parliamentary faction, the quantitative relationship between representatives of the native and other nationalities in the state apparatus today looks even worse than in the days of rule by the radical nationalist Mircea Druk. If in September 1991 the number of Moldovan leaders of ministries and departments reached 88 percent, then in July 1994 it was already 90 percent, and at the deputy level it increased from 71 percent to 89 percent. Maintaining this kind of situation makes it impossible to achieve civil accord, which in 1990 the former parliament achieved by demanding in a resolution the observance of the representative principle based on the republic's ethnic composition. The rights of national minorities that are fully provided for in the RM by legislation are being violated at the executive level, Valentin Krylov summed up.

This kind of summing up robs us of any comforting belief in "good laws," and ideas of justice cancel out the thesis of practical expediency. References to objective difficulties do not look so irreproachable in the similar history with Russian schools. It is no secret that their students still do not know much Moldovan. The shortage of good textbooks, methodologies, and teachers, which can be explained by a lack of funds, is taking its toll. Therefore, many Russian-speaking parents now are sending their children to Moldovan schools, thus limiting their achievements in the language, literature, and history of their own people. And since the contingent of Moldovan schools is increasing and new buildings are not being built, the problem is being resolved at the expense of "consolidating" schools for Russians, and the deterioration in the conditions in them is hastening the drain of pupils. It is for this reason that this summer, after squeezing it out like toothpaste, they closed down School No. 56, once one of the best in the capital. A vicious circle is actuated by forced assimilation, explained Valentin Krylov. However, without having changed in essence, force has taken on milder forms now; according to Krylov, the steady release of non-Moldovan speakers from state institutions is not conditioned merely by the inertia of the ethnic cleansing begun by Mircea Druk. The representatives of national minorities who found themselves overboard had a much harder time scrambling back on later. According to the testimony of Ivan Potlog, deputy head of the Kishinev employment center, it is harder for those under his wardship who do not know the state language to find a job. Weakly protected categories of the population, whose

ability to rise is limited by the unequal opportunities for different national groups, are landing in this dead-end situation.

Given this situation, Moldova's leaders are being somewhat hasty in informing the world of the complete victory for all human rights in Moldova. Even if they bear no ill will, it is obvious that ill non-will is by no means a factor in the proclaimed stability. The obligatory nature of that stability, not only in Moldova but in other former outlying regions, has already been recognized as a pledge for stability in Russia itself. And what about Moscow? The urgency of this issue is being ascribed to the recently signed agreement on the withdrawal of the 14th Army, although it would be an error to qualify the army's departure as a loss of any guarantee for fellow Russians. Understandably, Aleksandr Lebed, who stopped the Trans-Dniester war, could not avert the dismissal of Ivanov's papa and the expulsion from school of Sidorov's son in Kishinev. A very real means of influence is economic, which is even more palpable in Moldova, which is so closely bound up with the Russian economy.

What marvelous opportunities lie hidden in the technological loans, energy resources, and accumulated debts Moscow is presenting to Kishinev! For example, the sides could agree to channel some of the funds to set up linguistic courses and a Slavonic University (the ideas for which were proposed by the local Russian community,

according to Aleksandr Belopotapov, the deputy of its chairman, but rejected by the Moldovan Government). But these courses should be furnished with a set of subsidies made up in the Russian Federation. Of course, while doing everything it can to facilitate its fellow countrymen's adaptation in Moldova, Russia is not about to allow any hostile pretensions, cutting them off in embryo.

The formula's urgency, which is fanned by others' similar fantasies, is put in doubt, however, by the fact that for more than two years Moldova, which is living basically on Russian fuel, has not come up with a decent site for the Russian Embassy, whereas a suitable location has already been assigned, say, for the U.S. Embassy. Given this, the helplessness of the local Russian diplomats and the Russian leadership that stands behind them also forces one to suspect ill will from Moscow, which is phlegmatically watching the Russians take the place of the Jews, who used to be considered second class in Moldova and who have now emigrated. In line with the prediction of a friend of mine who has left: "Now you will be us."

By the way, during the armed conflict in the Dniester region, Israel organized a dispatch from fellow tribesmen there.

The Russians who are still having problems in Moldova should not wait for any buses to Moscow.

ARMENIA

CSCE Forum To Focus on Peacekeeping Troops

954K0353A Moscow NEZAVISIMAYA GAZETA
in Russian 10 Nov 94 pp 1, 3

[Interview with Anders Bjurner, chairman of the CSCE Minsk Group, by Aydyn Mekhtiyev: "Karabakh Settlement: As Before, Moscow Wants To Be Predominant; Strengthening of the CSCE Role Causes Irritation in the Kremlin"]

[FBIS Translated Text]

Diplomacy

At the present time, the Minsk CSCE group is carefully studying the possibility of establishing an international contingent to maintain peace in the region of the Armenian-Azerbaijani conflict. At the next meeting, which will be held on 18 November in Budapest, the Committee of Senior Officials (KSDL) of the CSCE will examine all questions associated with the formation of peacekeeping forces. This was declared in an exclusive interview with a NEZAVISIMAYA GAZETA correspondent by Mr. Anders Bjurner, a Swedish diplomat who was recently appointed to the position of chairman at a meeting of the CSCE Minsk Group. The position of chairman of the Minsk Group, as before, is held by Juehan Eliasson, but in view of his recent appointment to the post of deputy minister of foreign affairs of Sweden, his duties in the management of the Minsk Group as the chairman are being performed by Mr. Anders Bjurner.

The 20-minute interview of the NEZAVISIMAYA GAZETA correspondent with the chairman was held at noon on 4 November in Moscow in the residence of the Swedish ambassador an hour and a half before Mr. Bjurner's flight to Stockholm. During the two-day stay in the Russian capital, Bjurner conducted consultations with a number of officials. In particular, an exchange of opinions was held on the Karabakh problem with Russian Federation First Deputy Minister of Foreign Affairs Igor Ivanov, but, naturally, the main place in the visit program was taken up by many hours of negotiations with Vladimir Kazimirov, the special representative of the president of the Russian Federation on Nagornyy Karabakh.

"I am encouraged by the results of these talks," declared Mr. Bjurner in the interview with NEZAVISIMAYA GAZETA. "Mr. Kazimirov and I discussed questions associated with the formation of a contingent of forces to maintain peace in the region of the Karabakh conflict, and also the possibility of undertaking measures to reinforce trust between the parties to the conflict."

[Mekhtiyev] Mr. Bjurner, it is hardly possible today to talk about a complete understanding on the Karabakh question between Moscow and the Minsk Group. The Russian mediator, Mr. Kazimirov, came out recently with an article in one of the Russian newspapers in which he openly accused some members of the Minsk Group of an attempt to create artificial obstacles for Russia's peacekeeping efforts...

[Bjurner] In my opinion, Russia's participation in the Minsk Group is not only desirable, it is also necessary. And this is not only my opinion as chairman, but I am also confident that it is the conviction of all of the members of the Minsk Group. My talks with Mr. Kazimirov convinced me that this is quite realistic. Russia is an important figure inside the Minsk Group. I see no contradictions in the fact that, along with the leadership of Russia, the Minsk Group, on its part, is continuing mediation efforts. We can already point to a number of specific results today. For example, the ceasefire in the region of the conflict is not least the result of our efforts. I believe that the Russian side shares the point of view that international participation, in particular participation of the CSCE in the peacekeeping process, is necessary. I want to emphasize that just as Russia's participation in the peace process is desirable and necessary, so is the participation of the CSCE desirable and necessary. This is the firm conviction of a majority of the members of the Minsk Group.

[Mekhtiyev] Nevertheless, what principles will be assumed as a basis for the formation of a peacekeeping contingent, and what percentage of the international forces will Russian troops constitute?

[Bjurner] An active process is taking place that will lead to a resolution of this question. The first step will be the KSDL meeting on 18 November. By that time, the Italian chairmanship of the CSCE and the Swedish chairmanship of the Minsk Group will complete a careful study of the possibility of establishing a peacekeeping contingent. We can already state today that there is enough strong support for the creation of such a contingent. For the time being, I cannot say what part of these forces Russian troops will constitute in a percentage ratio, but I repeat—the participation of Russia is necessary.

The last question that the NEZAVISIMAYA GAZETA correspondent asked Anders Bjurner concerned 1993 KSDL activity, when the Swedish diplomat headed this element of the CSCE as a representative of Sweden. Mr. Bjurner replied:

"A number of important decisions were made in this period with the active participation of the KSDL. In particular, various missions for the settlement of conflict situations and their prevention were created. I am talking about Macedonia, Moldova, Georgia, Tajikistan, and other countries. The second sphere of activity of the KSDL is our connection with the CSCE commissar for national minority matters. In that period, I developed constructive cooperation with the commissar, incidentally a former head of the Netherlands' Ministry of Foreign Affairs. The third sphere of our activity was rendering assistance to the process of cooperation between the CSCE, the United Nations, and the Council of Europe. And, finally, the fourth—the creation of an instrument to strengthen the process of democratic development, in particular in the CIS countries. I am convinced that in the period of our chairmanship the CSCE became a necessary instrument of assistance to the democratic processes from Vladivostok to Vancouver.

Thus, from the statements of Mr. Bjurner, the chairman of the meetings of the Minsk Group, that he made in the

interview with NEZAVISIMAYA GAZETA, it can be concluded that the question of dispatching peacekeeping forces to Karabakh will become the subject of active discussion between Moscow and countries of the West. Stockholm, as the current coordinator of the activity of the Minsk Group, in the opinion of observers, is conducting intensive consultations with the West and the United States for the purpose of forming a peacekeeping contingent under the aegis of the CSCE. Earlier, Mr. Anders Bjurner visited some Western capitals, where he conducted negotiations relative to the participation of these countries in future military operations. It became known that Germany had already expressed a readiness to send its military contingent into the region for future operations of the CSCE in Azerbaijan. It is expected that in the near future the names of the countries will be announced whose contingents will be sent into the region of the Armenian-Azerbaijani conflict. At the present time, the International Group for Operations is examining the military aspects of forthcoming actions developed by the Minsk Group of the CSCE under the leadership of Swedish General Bergman. In the opinion of observers, the sharp activation of efforts of the Minsk Group in this direction is causing concern in the Kremlin. Moscow continues to insist on recognition of its priority role in the process of settling the Karabakh conflict.

Dashnak, Communist Positions on Karabakh

954K0329A Yerevan AZATAMART in Russian No 44,
8-14 Nov 94 p 5

[Comments by Vagan Oganessian of the Armenian Revolutionary Federation Dashnaktsutyun and Sergey Badalyan of the Communist Party of Armenia; place and date not given: "Three Questions for the Political Parties"]

[FBIS Translated Text]

1. How do you assess the foreign policy of Armenia in the years 1990-1994?
2. How much did this policy contribute to a resolution of the Karabakh problem?
3. Do you think Armenia should recognize the NKR [Nagorno-Karabakh Republic] as an independent state at the present time or not?

When a correspondent of AYLURA sought an interview with Lusik ter Lazaryan, chairman of the administration of the AOD [Armenian National Movement], the latter informed him through his secretariat that he does not give interviews to Dashnak journalists. Well, as the saying goes, that is their problem, but AZATAMART continues to present the positions of the most diverse political parties on the most important problems of our people. Subsequent issues of the newspaper will give the floor to individual political figures.

**Armenian Revolutionary Federation Dashnaktsutyun,
Vagan Oganessian**

1. Attentively observing the foreign policy of Armenia, it is possible to come to the conclusion that we have lacked a clearly formulated foreign policy concept in the

last three years. The Armenian authorities have conducted and are today conducting a situational policy, for which Armenia has paid more than once, and a similar danger threatens it today.

The authorities have shown themselves incapable of conducting a balanced policy, as a result of which dangerous Armenian vacillations have appeared on questions of orientation and selection of allies. The department that works on foreign policy is not strengthened to the necessary degree with a professional cadre. The current leaders of the Armenian state did not do all that was necessary to use the broad capabilities of Svyurk [not further identified]. The inability to solve problems in a timely and correct way has led to a whole series of serious diplomatic defeats. I do not think that our diplomatic failures and our lack of allies are the result only of the incompetence of the diplomatic services. First of all, the position of the president of Armenia has to be seen in this—the urge to hold all levers in his own hands, while simultaneously presenting himself to the world as a democratic leader of a democratic state.

I suppose that it is necessary in the first place for us to specify what kind of state we should have and define our role and our place in the Near East more accurately, in other words, to formulate and clarify the basic principles of our foreign policy and only after this undertake steps for their implementation. But our authorities consider the opening of embassies and the establishment of diplomatic relations successes in foreign policy, which, of course, is important in itself; however, this is a technical fixing of relations, but cannot in any way be the fundamental principle of foreign policy.

2-3. On the question of Artsakh, Armenia has conducted a confusing and inconsistent policy, demonstrating a passive position in the diplomatic arena, which did not allow us diplomatically to reinforce the successes that the people of Artsakh achieved heroically on the battlefields. We recall the Zheleznovodsk agreement, one of whose authors was the president of Armenia. Similar steps and the policy that has been conducted to the present time generally have not demonstrated a clear position of Armenia's rejection of any variant, according to which Artsakh could be left in the structure of Azerbaijan. We, of course, understand very well that Armenia cannot make territorial demands on its neighbor. We also understand that this should not be emphasized in official speeches. However, if the Armenians of Artsakh proclaimed their sovereignty in accordance with democratic norms, and if it has been decided to be guided by human rights, this means that Artsakh should be independent.

The position of our authorities at the present time puts in motion negotiations of a nature that could lead to unwarranted compromises.

It is necessary to resolve the issue, and resolve it by means of negotiations—by means of a victorious peace. However, experience shows that our authorities are more concerned about protecting their democratic

image in the international arena than about a real resolution of the issue. But even in diplomacy lies and falsehoods often come to light, and are never forgiven by great powers. It is very difficult to correct a mistake once it is made, no matter how the leaders of the diplomatic department and the government are changed.

Our party has invariably expressed its position unambiguously: It is necessary to recognize the independence of Artsakh. If we recognize Artsakh as an independent state, it would also be recognized by other states. We have all the real reasons to suppose this. But, today, most important of all is recognition of Artsakh on the part of Azerbaijan.

Under the conditions that have developed, our party adheres to the following position. The NKR and the Armenian authorities, in supporting intermediary programs and the CSCE and Russia, should take into account that the stationing of any kind of observers or peacekeeping forces cannot be a guarantee of the safety of the Artsakh Armenians. Our many years of experience indicates this. Therefore, in any negotiations it is necessary first to specify Artsakh's status, also including today's deported Northern Artsakh, that is, Shaumyanovskiy Rayon—which is an inalienable part of the NKR. We think that any kind of change in the line of the front to the detriment of Artsakh before a determination of its status is intolerable. Second, any variant that envisions Artsakh's place in the structure of Azerbaijan must be viewed as unacceptable and inadmissible. These are not empty principles, they are built on realistic calculations. Without Artsakh, there is no Armenia.

Communist Party of Armenia, Sergey Badalyan

1. When the AOD came to power, Armenia was a member of the Soviet Union. This organization took its well-known slogans as the principles of its foreign policy: "It Is Time To Jump From the Train," "Exclusion of a Third Force," "There Are No Eternal Friends and Eternal Enemies," etc.

When the Union broke up, the authorities of Armenia, pro-Western in the depths of their soul and thoughts, were compelled to think about guaranteeing the nation's security and, inasmuch as the West has not given and will never give such guarantees, they once again turned to Russia, although even today the authorities are trying to undertake equivocal steps and to "maneuver" between the West and Russia. However, I think that sooner or later they will be forced to make a choice, if it is not too late.

Our party has always expressed its position clearly. The salvation of our nation and the guarantee of its security and economic well-being are tied to a Russia that is gathering strength and will soon form a new union with former republics.

2. The Karabakh problem has always been at the center of our attention. When the Communist Party of Armenia was the ruling party, this question was raised seven times in the Politburo of the CPSU Central Committee.

It is another question that it has not been resolved to this day. The ambiguous position of our authorities is also obvious on the Karabakh problem, whose resolution they associate first with the West and then with Russia. Meanwhile, had we taken a clear position on Russia, which is extremely interested in a positive resolution of the problem, it is possible our successes today would be more reliable. So it is impossible to consider the position of the authorities of the republic satisfactory even on this question.

3. Our position on this question is unequivocal. Armenia has to be the first to recognize the independence of Karabakh; it must not wait for some Latin American country to recognize it first, and only after this take steps on this issue. Recognition of the independence of Artsakh is our historical, national, and moral duty, regardless of the position of any other state, even Russia.

UN Karabakh Stance Scored

954K0323A Yerevan RESPUBLIKA ARMENIYA
in Russian 8 Nov 94 p 1

[Unattributed report: "Timed To Coincide With the Visit"]

[FBIS Translated Text] Two documents devoted to the issue of a settlement of the conflict in Nagorny Karabakh have been timed to coincide with the visit to Armenia of the UN secretary general.

The Armenian National Accord Union bloc of parties maintains in its message to Butrus-Ghali, as NOYAN TAPAN reports, that the UN stance on the Nagorny Karabakh issue is contrary to the legal rules of national liberation struggle. "To speak of the defense of the rights of national minorities and at the same time to urge the sanctity of borders is not to recognize nations' right to self-determination and international and legal rules of national liberation struggle enshrined in documents adopted by the United Nations," the document maintains. The message also notes that the sole document in the world ratified by international organizations according to which the Nagorno-Karabakh Republic is a part of Azerbaijan is the Constitution of the USSR.

A statement of the Russian-Armenian Foundation devoted to the same problem, on the other hand, demands of the United Nations that it recognize the genocide perpetrated in respect to Armenians on the territory of Azerbaijan.

Karabakh Officials View Peace Prospects

954K0323B Yerevan RESPUBLIKA ARMENIYA
in Russian 8 Nov 94 p 1

[Article by Karen Topchyan: "'There Will Be Results When Azerbaijan Understands That its Well-Being Depends on a Peaceful Resolution of the Conflict'"]

[FBIS Translated Text] Yerevan-Stepanakert-Yerevan—Quiet on the fronts of the Karabakh-Azerbaijan war has been preserved for exactly six months now. And, naturally, the longest truce in the six and one-half years of the conflict has been a time of relatively tranquil living in

the Nagorno-Karabakh Republic. This will be hard to believe, perhaps, but Stepanakert, which I visited recently, bears little resemblance—purely outwardly, at least—to the city where not that long ago even the air-raid sirens sounded almost daily, the inhabitants were having to spend a large part of the day in the basements of buildings, and enemy aviation and artillery regularly kept peaceful homes and life-support facilities under fire....

Today kindergartens, schools, the state university, theater, movie theater, and libraries are operating in the capital of the Nagorno-Karabakh Republic. The electrical equipment and condenser plants, the dairy and silk works, the footwear factory—approximately 30 enterprises altogether—are producing. Buildings destroyed by Azerbaijani aviation and artillery are being restored quite rapidly. People who left the city at the time of the intensive hostilities are returning to their homes (more than 60,000 persons are living in Stepanakert at this moment, and in the Nagorno-Karabakh Republic altogether, approximately 150,000). Electricity is being supplied to the apartments, albeit with interruptions, for an average of 18-20 hours a day.

The words most often heard in Nagorno Karabakh currently are "war" and "peace." Just several months ago, essentially, no one believed that there would come a time when it would be possible to talk seriously about peace, which was so much desired. It is being talked about now not only in Stepanakert but in Yerevan and Baku, in Moscow and Washington, in Stockholm and Vienna, and in other world capitals. And although the prevailing opinion is that things have gotten no further than talk as yet, people here hope and expect that peace will necessarily come to their land. And not only civilian people. In conversation with me, Major Serzh Arushanyan, deputy commander of the Nagorno-Karabakh Republic Defense Army and chief of the Political Department, said: "Many parties are interested in the conclusive establishment of peace, and the most interested, perhaps, is the army. And this is natural because the entire burden of the war is borne primarily by the men and officers. Our republic's defense army has in principle successfully accomplished all the military missions. It is now 'up to the politicians.'" Speaking of the negotiating process within the framework of the mediating missions of the CSCE and Russia, Mr. Arushanyan observed that "the 'Russian version' appears preferable today since, first, purely geographically Moscow is close and, second, it really could commit a disengagement force to the region and keep the peace. The CSCE and Western countries have been displaying—particularly since the signing of the oil contract—manifestly pro-Azerbaijani sentiments. Especially since they want to enlist Turkey in the peacemaking process, which is impermissible as it is an interested party. Nonetheless, we would like the CSCE and Russia to find a common language so that we might deal with a unified peacemaking program satisfying both the parties to the conflict themselves and all the mediators." But, according to Serzh Arushanyan, the main condition of the negotiating process should be recognition of the Nagorno-Karabakh Republic on the part of Azerbaijan. "If they recognize us, certainly, we are prepared the next day even to begin discussion of the question of the withdrawal of our forces from the occupied territories.

And this is not simply emotion or an end in itself. We have before us the experience of other such conflicts, where the peacemaking process is essentially being impeded since the essence of the problems is not being tackled at root. Today, as you know, the security of the citizens of the Nagorno-Karabakh Republic is ensured practically in full. Enemy artillery or other missile launchers do not reach our centers of population. Can you imagine what would await us if, as the Azerbaijanis demand, we return the territories to them and the refugees return there? In this case Azerbaijani troops would come to this land together with the civilian population. There can be no doubt about this. Then, as you yourself understand, Karabakh would be in a very adverse situation from the military viewpoint...."

Mr. Arushanyan is sure that the leadership of Azerbaijan is not yet ready to settle the Karabakh problem peacefully: "We know that the neighboring state has recently obtained more than 50 tanks from Ukraine. We also know that there are Turkish military instructors in Baku today even, and the reform in their army is proceeding quite rapidly. But let no one doubt the fighting capacity of the Nagorno-Karabakh Republic Defense Army: it is prepared to repulse all enemy attacks at any moment." The deputy commander of the Karabakh Army is satisfied with the interaction with the other power structures and also with the executive and legislative authorities of the republic: "But we would like the supreme organ of power of the Nagorno-Karabakh Republic to operate more efficiently. This is why a group of servicemen deputies recently appealed to the Supreme Council Presidium with the proposal for the convening of a session of parliament with the following agenda: 1. Extension of the state of martial law in the Nagorno-Karabakh Republic; 2. Revisions and addenda to the Law of the Nagorno-Karabakh Republic 'On Military Service'; 3. Other business. Sessions have not been convened since October of last year. And whereas in a period of active hostilities this phenomenon could still be justified, now, when the fronts are quiet, the inaction of the supreme organ of state power is simply inexplicable."

A very important role is assigned the coming session of the Nagorno-Karabakh Republic Supreme Council by Karen Baburyan, acting speaker of parliament, also: "We have serious matters that must be tackled, in the military sphere, for example, in conformity with current realities. In addition, it is essential to adopt a whole package of economic laws. Although we are waging war, we are developing the economy at an accelerated pace also. Far more has been done in the last two years of independence than in 70 years as part of Azerbaijan. I refer, for example, to the creation of our own infrastructure." Generally, according to Mr. Baburyan, "the internal political situation in Karabakh is quite stable, as distinct from many other warring countries, where there is a mass of unpredictable events. Both the executive and the legislature and the power structures are interacting precisely in the Nagorno-Karabakh Republic."

Speaking of the events surrounding the Nagorno-Karabakh Republic, Mr. Baburyan observed: "I believe that if Azerbaijan understands that its well-being depends on a peaceful resolution of the conflict, we will reach some results." The acting speaker of the Karabakh parliament

believes also that a peaceful settlement of the Karabakh-Azerbaijan war will largely depend on the mediators—the CSCE and Russia: "There are no appreciable differences between their versions of a resolution of the conflict. The disagreements that have emerged as of late are rather a question of personal ambitions. I believe that the optimum version would be a unification of the efforts of Russia (a country that undoubtedly has vital interests in our region) and of international organizations." As far as likely compromises between the antagonists are concerned, Karen Baburyan observed: "A peace settlement is in itself built on compromise. I believe that there will be no equally good solution for both Armenia and Azerbaijan. Intelligent compromise is needed here. And, naturally, the Nagorno-Karabakh Republic could agree to some intelligent, I stress, intelligent, compromises if the appropriate attitude is displayed on the Azerbaijani side also."

Parliament Debates New Draft Election Act

954K0352A Yerevan RESPUBLIKA ARMENIYA
in Russian 11 Nov 94 p 1

[Unattributed report: "The Elections Bill"]

[FBIS Translated Text] Parliament's term will be up in several months. What kind of National Assembly it is that comes to replace the present Supreme Council will depend on whether there is a new election act. Discussion of this very important matter has gone on for many months already, but the deputies simply cannot reach a consensus. A proposal for the formation of a working group of deputies of different factions and groups so that it might draw up a draft election act was presented in February by Babken Araktsyan, chairman of the Supreme Council of the Republic of Armenia. Now the revised draft has been submitted for discussion.

As Khosrov Arutyunyan, deputy of the Supreme Council, told an ARMENPRESS correspondent, the essence of the new bill is as follows:

the new bill is based on a comparatively small parliament—100-120 deputies;

the parliament should be professional, that is, a deputy is not entitled to work in other fields, except in scientific-pedagogical activity;

parliament is formed by two electoral systems: majority and proportional.

With the majority system the candidate that has amassed more than half the vote is deemed elected. With the proportional system the voting is by party slate, and each slate obtains, what is more, a number of seats proportional to the number of votes cast for it. Persons nominated per party slate are entitled to be nominated per the majority system also.

According to the new bill, the "quorum" concept is removed, which makes impossible an artificial boycott of the elections. The elections will be deemed valid in any event and with any number of voters.

According to Kh. Arutyunyan, one of the most important issues is that of the creation of an election commission. The commission will have a three-tier structure: a central

election, and district and precinct commissions. It will consist of seven persons, and they will be elected by parliament according to the multiparty system and as quickly as possible.

Not all in parliament approve of elections by the proportional system. According to Eduard Yegoryan, chairman of the Commission for the Establishment of Independent Statehood and Nationalities Policy, with a proportional system of elections, parties try to increase their representation in parliament. A deputy should be elected in a particular precinct in order that, being specifically tied to his electorate, he can convey to parliament the opinion of the people. Party elections lead to the deputies having no personal responsibility to the electorate.

Increasingly less time remains until the elections. An election act is now paramount for parliament. It remains to be hoped that the deputies will reach the desired accord and will pass the bill in its first reading.

Russian Envoy Views Relations With Armenia

954K0352B Yerevan RESPUBLIKA ARMENIYA
in Russian 11 Nov 94 pp 1, 3

[Interview with Andrey Urnov by Armen Khanbabayan; place and date not given: "Despite the Entire Seriousness of the Political Struggle, Armenia Has Not Slid Into the Mire of Civil Confrontation. This Does Your Nation Credit"]

[FBIS Translated Text] The ambassador extraordinary and plenipotentiary of the Russian Federation in Armenia believes that relations between Moscow and Yerevan have entered a phase of upturn.

[Khanbabayan] Andrey Yuryevich, how would you evaluate the present state and prospects of Armenian-Russian interstate relations?

[Urnov] In my view, these relations are cause for satisfaction. Stable and diverse ties and contacts have historically taken shape between our countries and peoples. Various things have happened between us over many centuries, both good and bad, but there has been more of the good. We have now reached a qualitatively new level of mutual relations of the two sovereign states. I confess that the process of their formation has not been painless. But it may be said today even that the most difficult period is over and that we have entered a period of upturn.

It seems to me personally that in the historical plane the Armenian-Russian rapprochement has not been fortuitous but natural. Life has shown that we cannot be far apart from each other. The forms of our joint existence will change, of course, but the deep-lying, fundamental aspects determining the mutual attraction will remain. Relations between our countries will, I believe, be of a high level in the future also, therefore.

They are positive. It is gratifying that I immediately sensed a kindly attitude toward Russia and an interest in cooperation with it, at all levels, what is more: parliamentary, government, and, most important, among the people. And among various political forces, which on other positions adhere to diametrically opposite views, there is on the

question of the attitude toward Russia practically consensus: Almost all advocate a strengthening and development of bilateral relations. There is on the part of the president and the government, as I have been persuaded, a serious constructive frame of mind oriented toward an extension of cooperation. I may say that a counter-movement is observed on the part of Russia also. Our positions on the widest spectrum of problems are, on the whole, close.

Aside from political, there are other impressions, of course. Armenia is a beautiful country, and it has many people with beautiful souls. It is pleasant for me to rub shoulders with them. You have an interesting, strong intelligentsia. It instills respect for the history of the Armenian people. Having learned, incidentally, that I was being recommended for the post of ambassador to your country, I embarked on a book study of Armenia. I managed to get some things read, including the essays of V. Bryusov on the history of Armenia. And what I have seen here has largely coincided with the impressions of Armenia and its people that I had formed. And I have seen, despite the short time that I have been here, a great deal: I have driven around the country, visited many museums, attended the theater, been to the Academy of Sciences and the university, met representatives of science, culture, business circles....

[Khanbalyan] Are relations between our states so cloudless that there are no problems between them?

[Urnov] There are problems, of course. They exist, incidentally, with any level of interstate relations. They include the problem of the Russian credit of \$110 billion that was allocated Armenia recently. There was a decision in this connection, but the money has not yet been made available in full, although it is understood what an important part it could play in the reactivation of the Armenian Nuclear Power Plant, a revitalization of the economy, and a solution of social questions. I assure you that the reason for this holdup is not anyone's ill will. It is of an objective nature and has been caused by factors that are well known. The financial system of Russia is currently experiencing considerable difficulties. Let us hope, however, that the problem will be resolved. In any event, both parties are attuned to concerted actions, and Armenia has already received a considerable part of the credit.

[Khanbalyan] Andrey Yuryevich, you know that there has been much talk since the time of the disintegration of the Union of the desirability of its restoration. There are supporters of such a development of events both in Russia and in Armenia. They are few, of course, but their voice is quite "resonant," to put it mildly. What do you personally think in this connection?

[Urnov] The USSR is a part of history, regardless of who evaluates the fact of its disintegration and how, and attempts to restore the old Union are, in my view, hopeless. This is the same as trying to glue a broken pot back together. It could no longer serve its purpose. All peoples value their independence and their sovereignty and will never cede them voluntarily. What is needed today is not nostalgia for the past but a clear understanding of the need for an extension of the objective integration processes

within the framework of the CIS. This applies particularly to the economy. Both in Moscow and in Yerevan such a prospect elicits an unequivocally positive response. And in the majority of other Commonwealth countries also, to which, in particular, the recent decision of the heads of state of the CIS on the creation of an Interstate Economic Committee testifies. We are moving toward customs and payments unions. Political independence is wholly compatible with a high level of economic, business, and military integration and the existence of certain coordinating supranational institutions. Modern Europe is a good example of this.

[Khanbalyan] As far as can be judged, incidentally, Armenian-Russian cooperation in the military sphere is developing quite successfully....

[Urnov] Yes, and this also is an indicator of mutual trust, an indicator of the fact that relations between us are really good. I have to mention this also: It is frequently heard that in strengthening military contacts with this state of the CIS or the other, Moscow is pursuing certain imperial, neocolonialist aims. This is untrue. Military cooperation may develop only in the event of the parties' mutual aspiration to this. And the benefit derived from this is not one-sided but mutual. The Russian military presence in Armenia is dictated by understandable concern for the interests of Russia's national security. But this is beneficial in many respects to Armenia also, and Armenia feels more at ease: The Russian subunits (bases primarily) on its territory are, obviously, a palpable factor contributing to a strengthening of its own national security. So it is not a question of "imperial ambitions," but of a concurrence of the security interests of our states, which is a base for cooperation.

[Khanbalyan] The six-month truce in Karabakh established with Russia's diplomatic assistance has given rise to certain hopes of the possibility of a relatively speedy resolution of the conflict. At the same time, on the other hand, the circumstances impeding the peace process persist. What do you think, will a lasting peace be established in the region in the foreseeable future? What do you see as Russia's role in a settlement?

[Urnov] Despite the resistance of the maximalists, who are present in Armenia and in Azerbaijan and Karabakh, the parties aspire to peace, evidence of which is the joint work on the Grand Political Agreement, a considerable part of whose text has already been agreed. But there are questions on which no accord has been reached as yet: the Lachin humanitarian corridor, Shusha, the peacekeeping force.... I believe that, despite all the difficulties, given the good will of the parties to the conflict and benevolent constructive pressure from outside, a solution will be found.

My opinion in respect to the possibilities of Russia's peacekeeping mission coincide with the official approach, but this is not a tribute to the "directions of the authorities." I support the Russian plan and the phased approach contained in it not only from duty but also from conviction, inasmuch as I believe that its realization would be the shortest route to peace.

Russia's contribution is well known: It includes the lengthy truce that has been established and recognition of Karabakh as a party to the conflict. In addition, the parties know us well, and there is a high level of trust in our actions.

The arguments surrounding the question of how to make further progress toward peace are frequently presented today as a competition of the ambitions of Russia and the CSCE. Yet this is an argument of actual possibilities. We have more of the latter, whence objectively ensues our lead role in the Karabakh peacemaking process. Were the CSCE to have the more of these possibilities, no one would dispute their leadership. We by no means reject the role of the CSCE, incidentally, and are open to cooperation, in the course of which, I believe, the experience of this organization will grow and its role will increase. The CSCE's proposals—and these are just that, proposals, and disconnected, what is more, inasmuch as the CSCE Minsk Group does not have, as distinct from Russia, an integral plan of a settlement—do not, *inter alia*, provide firm guarantees against a nonresumption of military operations. The Russian plan provides for a sterner response to attempts to frustrate the truce. So it is not a matter of ambitions but of the capacity for realizing measures ensuring dependable terms of a settlement.

[Khanbalyan] What is the role of the ambassador and the embassy in the molding of qualitatively new relationships between the former center and the former republics? In what might the participation of the ambassador in the social and political life of the host country be expressed?

[Urnov] The opening and functioning in Armenia of an embassy of the Russian Federation is in itself testimony to the new quality in our relations. We are operating by exclusively diplomatic methods, wholly unlike the emissaries of the center—the second secretaries of the Union republic communist parties—in the past. The embassy is a most important instrument, and it can do a great deal, but not everything, of course, and this should be understood.

The work of the embassies of the Russian Federation in countries of the CIS has its own specific features. In the "far abroad," the embassies concentrate in their hands more the main threads of Moscow's relationship with the host country. Between states of the CIS and between the republics and the former center, heavy vertical connections are preserved. This is not a bad thing in itself, for it reflects the diversity of the actual contacts. But it creates certain difficulties for us. The embassy sometimes finds itself less than well informed as to what is happening. Some arrangements and relationships pass us by. After all, the fuller the picture that you have, the more efficiently you work. In addition, it is known that departmental or corporate interests do not always fully coincide with state interests. An edict of President Yeltsin, therefore, instructs the Ministry of Foreign Affairs and, consequently, the embassies of the Russian Federation also to coordinate these processes and to bring the interests of the departments and the state together. I would like also to recall that "Armenian affairs" are handled by, aside from us, a further two missions: the official delegation of the Russian Federation at the negotiations with the Republic of Armenia that is headed by Ambassador V.L. Oleandrov

and Ambassador V.N. Kazimirov, special representative of the president of the Russian Federation and Russian mediator in the Karabakh conflict. We cooperate closely with them.

As far as part two of your question is concerned, I frankly confess that I do not greatly care for the actual wording. There should be no "participation" of the ambassador in the social and political life of the host country. This is not the task of a diplomat. Our activity is concentrated elsewhere: We track and analyze events, and if there is a need to somehow influence them for the benefit of Russia, this is only strictly within the framework of the generally recognized rules of international law. These include, specifically, explanations, protests, demarches, and so forth. I have not yet had to resort to the last two forms here, it is true, and this is good. We have developed a constructive relationship with the local authorities. I have been well received, and the necessary conditions for work have been created. Of course, the leadership of Armenia is my main partner. But not the sole one. Within the framework of work on study of the local situation I make contact with representatives of various political forces, if their activity is of a legal nature, of course. I am actively acquainting myself, as time permits, with the artistic intelligentsia and the life of the ordinary people. My impressions are positive, on the whole. Despite the entire spread of political opinions, views, and approaches, and despite the entire seriousness of the current political struggle, your country has not slid into the mire of civil confrontation. This does your nation and all its representatives, the authorities and the opposition and the people, credit.

Gasymov Scores Russian Karabakh Role

954K0319A Baku SODRUZHESTVO in Russian No 29,
4 Nov 94 pp 1-2

[Interview with Tofik Gasymov, a leader of the national liberation movement, by Galiya Aliyeva; place and date not given: "I Did Not Expect That So Much Blood Would Be Shed on the Road to Freedom"]

[FBIS Translated Text] The past October was characterized for Azerbaijan not only by thousands-strong lines outside empty bread stores but also the latest anniversary of the proclamation of state independence.

Today we offer SODRUZHESTVO readers an interview with a leader of the national liberation movement, Tofik Gasymov, a politician who is well known in Azerbaijan and a former minister of foreign affairs of the republic.

[Aliyeva] Tofik muallim, some of your opponents call you the Don Quixote of politics. Why, do you think? And do you agree with these assertions?

[Gasymov] My esteemed opponents are in error, and I do not, naturally, agree with such assertions. Otherwise, I would simply change my character. I will now tell you why they say this. The point is that the opinion that if the enemy is stronger than you are, you should not fight him, had become firmly established psychologically in many people throughout the space of the former Union, virtually. Irreconcilability to and struggle against evil are part of my nature, though.

[Aliyeva] There has been much evil in your life?

[Gasymov] Enough. The first evil that I encountered concerned the leadership of our institute, which humiliated some associates, insulting their self-esteem. I, naturally, had to intervene and intercede for them.

And evil of a far larger scale is the present social and political situation in the republic. The national and state interests of Azerbaijan are what is dearest to me, and it pains me to see now that some independence has been lost and that there has been an abrupt change in the direction of foreign policy, which has cost the loss of natural partners in a resolution of the Karabakh problem.

However we try to hide it, everyone knows that this conflict is to the benefit, to a certain extent, of the military-industrial complex of Russia. I believe that unilaterally assigning Russia the main mediating role was an ill-considered step. And for this reason we are currently hopefully awaiting the results of the actions taken by international organizations, specifically, the CSCE Minsk Group.

One further evil is that Azerbaijan, having joined the CIS, has gained nothing either politically or economically. I might say for comparison that we had in February 1993 even signed trade and economic agreements with all states of the CIS other than Tajikistan. We are now into the 10th month of 1994, and such agreements have not been signed even with Russia (the main CIS partner). This testifies that there is no longer either the economic space or the economic relations that there were before. More than half the property has been privatized in Russia at this time, and a government contract can no longer ensure commodity turnover, therefore. Contracts have to be signed with individual enterprises and firms.

[Aliyeva] Your fellow thinkers frequently play as a trump card the fact that there was no corruption under the Azerbaijan People's Front regime....

[Gasymov] I cannot affirm this absolutely. I will say only that during the government of the Azerbaijan People's Front, appointments to office were not made for money. Of course, there was another extreme—positions were occupied by the so-called "our people," in the main. I always fought against this and raised this issue repeatedly in the National Assembly.

The main reason why the Azerbaijan People's Front lost the people's trust was the fact that incompetent people holding high office failed to cope with their duties, and the president—quite a mild man—failed to dismiss them or punish them.

...But, whatever, there can be no comparison with what is being done now—this, in my opinion, is unprecedented in the entire age-old history of Azerbaijan: The entire power structure in Azerbaijan is now corrupt. And the words of Rasul Kuliiev, speaker of parliament, at a recent meeting of the National Assembly to the effect that bribery and corruption cannot disappear under our conditions until we carry out privatization is simply to avoid the problem, of course.

[Aliyeva] And if privatization were, in fact, to be undertaken in Azerbaijan?

[Gasymov] I am afraid that it would then be necessary to carry out one further Bolshevik revolution.

[Aliyeva] Why?

[Gasymov] Because the main monetary resources in our republic are concentrated in the hands of the mafia, not the state.

[Aliyeva] Tofik muallim, it is said that in the year you were minister of foreign affairs you did not dismiss a single person in order to hire in his place one of your "own." Is this true?

[Gasymov] Yes, it is. I wanted to change the structure of dismissal and hiring: to conduct certification and to hire new employees on a competitive basis. While I was minister, I examined approximately 50 personal files, from which employees of the Ministry of Foreign Affairs were to be selected. And, believe me, I did not hire a single member of the People's Front without an examination.

[Aliyeva] Did you feel yourself to be entirely competent to direct the foreign policy department?

[Gasymov] I would not maintain this exactly. I did not believe that I would be fully suitable for this office, I would have been more suited by work in the Supreme Council, perhaps. But the point is that there were no suitable candidates. And I am an independent sort, more or less competent. I am a theoretical physicist by education, and this means that I can analyze. It was on the basis of these qualities, evidently, that I was appointed to this office.

[Aliyeva] Did the Ministry of Foreign Affairs of Azerbaijan make many mistakes in the period that you were in charge of it?

[Gasymov] I believe that there were far more achievements than blunders, and the main one was that when I came to the Foreign Ministry, the whole world and all the main organizations were defending Armenia, when I left, everything was precisely the other way about.

But to speak about the mistakes, yes, these were made. The main thing that I was unable to do was to fully staff the ministry.

[Aliyeva] And speaking about the country's foreign policy course?

[Gasymov] There were no particularly flagrant mistakes here. The sole one was the fact that the not very friendly words of our president about Iran and Uzbekistan complicated contacts with these countries and hampered the establishment of neighborly relations with them.

[Aliyeva] It is known from the history of the creation of the People's Front that you were opposed to the election of Abulfaz Aliyev [as published] as chairman. What was the reason for this?

[Gasymov] I was opposed to this candidate when he was nominated for president also. It is clear why, in my opinion: He is, of course, a good, honest man with pure thoughts. But his character would have been suited more by the life of a hermit, not the head of an organization or a state. He is not a leader, he has no toughness, he cannot make decisions. And if a head of state cannot make

decisions within three minutes, this state is, consequently, thrown back three months. He could not have been president for the added reason that he did not remove the people that were preventing an end to the war and postponing its conclusion. The fact that for a year he simply did not present parliament with the structure of power and failed to confirm the ministerial cabinet of the republic was undoubtedly a mistake of his also.

[Aliyeva] You occupied the office illegally, then?

[Gasymov] No, I occupied the office entirely legally. The point being that ministers are appointed by presidential edict. And there were such edicts in respect to me and other ministers.

[Aliyeva] You said that there were people preventing an end to the war. To whom did you refer?

[Gasymov] Former Defense Minister Ragim Gaziyeu.

[Aliyeva] What, in your view, was the reason for the defeat of the Azerbaijan People's Front?

[Gasymov] The fact that it had come to power before it was ready for this...

There was no specific action program in a number of spheres.

[Aliyeva] Your political idols?

[Gasymov] Ronald Reagan, although he is not a professional politician, and Mrs. Thatcher. When she was received by Elchibey, she advised him in an area in which he had always been lacking: If you have made up your mind to do something, first do it, then discuss it in parliament. When the crisis on the Malvinas [Falklands] occurred, she said, I dispatched the fleet and decided this matter within 24 hours and then I presented it for debate in parliament, where I was applauded. Were I to have consulted parliament, I could not have secured its authorization for a month, she concluded.

[Aliyeva] But in sending troops to Gyandzha, Elchibey, as far as I know, stood on no ceremony and conferred with no one....

[Gasymov] His inconsistency was displayed even in the Gyandzha events: Had he sent the troops properly, the result would have been as it was with Dudayev, who sent the troops against Labazanov and put an end to him the same day.

[Aliyeva] Is it true that you have quit the People's Front?

[Gasymov] Yes, I have all but left the Azerbaijan People's Front. True, I have not announced this officially anywhere (from tactical considerations, lest I weaken the opposition) but this will be done shortly, evidently.

We lost the people's trust completely, and we should have confessed this to them and apologized to them for having voluntarily relinquished power. And all this is thanks to Elchibey.

[Aliyeva] Are you disenchanted with the national liberation movement?

[Gasymov] Not in the least. I am disenchanted with the person who laid claim to leadership and who is now continuing to lay claim to it while back in his village.

[Aliyeva] You broke with the Azerbaijan People's Front on account of one person?

[Gasymov] Not on account of one person. There were many people that came from Armenia and Nakhichevan in the People's Front. I fought against them as best I could.

[Aliyeva] Have you no intention, like many retirees, of creating your own party or some social foundation?

[Gasymov] I did have some thoughts of forming some party or other, but I have no financial support.

[Aliyeva] You have spoken a great deal about freedom in general. But have you spoken about it with the people? Could you say with confidence what they would choose—bread for 20 kopeks or...?

[Gasymov] I know what you are saying. It seems to me that the ordinary person would choose the Soviet Union, where bread cost 20 kopeks. But there was, after all, nothing real behind this, it was total self-deception: There is no cheap bread anywhere in the world. The USSR was, in fact, a closed space with its own rules of the game, completely isolated from the outside world. This was not real life.

That people are nostalgic is a dangerous thing. And we shall no longer restore what you want—the Soviet Union—history cannot be turned back.

[Aliyeva] Is the money that you receive sufficient?

[Gasymov] The 22,000 manat that I receive at the Academy of Sciences is enough for me for an average life (whereas previously, for example, I could permit myself to purchase four or five kilos of meat a week, now it is two or three a month), but for me it is better to live with difficulties, but free. Since the foundations of the old home have been demolished and the foundations of the new one have just been laid, we need to show a little patience.

[Aliyeva] Tofik muallim, you were connected with the top echelons of power, overseas travel, and so forth. You have probably guessed what I want to ask you about—your bank account, if this is not a commercial secret, of course.

[Gasymov] I shall disclose this secret to you. Yes, I have a bank account—3,500 rubles (Soviet model) in the Savings Bank (Academy of Sciences building). True, I have no idea what they have become now thanks to inflation. I was not destined to save up enough for a car, evidently.

[Aliyeva] Had you imagined that Azerbaijan's road to freedom from the empire (as you call this) would lie via the blood of thousands of people, would you have agreed to participate in the destruction of the unified state?

[Gasymov] I did not, of course, anticipate that so much blood would be shed. Had I known, I would certainly not have agreed. Simply because it is known from theory that all physical systems have maximum dimensions and a maximum critical mass. Systems with dimensions that are greater than critical themselves fall apart in time because they become unstable. The Union was too big to be controlled. It is elementary from the theory of control that

it is impossible to control so large a system with the minimum information that was coming from the localities: It is impossible for any length of time to direct what should be sown in Lenkoran while ensconced in Moscow.

[Aliyeva] Remembering that the big fish always devours the little one, can Azerbaijan become absolutely independent, in your view?

[Gasymov] It is known from the theory of relativity that there are no absolute truths and that everything is relative. In this sense there is neither absolute freedom nor absolute independence. Even people's joint habitation in a united family or a state imposes restrictions on people's freedom, transferring it to the rules of joint habitation. For this reason a state that freely pursues foreign and domestic policy while preserving here a balance of interests with all neighboring states on mutually beneficial and equal terms is called independent.

[Aliyeva] A very specific question for our newspaper—what is your attitude toward the migration from the republic of the so-called Russian-speaking population?

[Gasymov] I have been very worried by the migration. And not only now but from when it actually started.

Many people believe that the national liberation movement of Azerbaijan is characterized by anti-Russian sentiments. This is not the case at all. When I was a minister, for example, the basis of the financial department of the Ministry of Foreign Affairs was composed of Russians. In addition, while still in high school, I prepared myself for the Physics Faculty of Moscow State University. There were on my desk textbooks in Russian, in the main. I would read in Russian and answer in Azerbaijani. But my dream was not destined to come true—my father would not let me go to far-off Moscow. But several years later, after graduating from the Azerbaijan State University, I went to Leningrad, where I lived for nine years. There I completed my graduate work at the Leningrad Physico-Technical Institute and defended my thesis for candidate's degree.

[Aliyeva] Do you remember the subject of your thesis?

[Gasymov] Of course. "The Heating of Phonons in Semiconductors and Its Influence on Electrical Conductance." This is a very modern and interesting branch of science, whose development has now led to the elaboration of theories of physics that could be applied to biological and sociological systems.

[Aliyeva] And the last question. I know that you like to take walks and that you can often be seen on the city streets. How do people receive you?

[Gasymov] Normally, I believe. Not one person that has approached me on the street has rebuked me as yet. On the contrary, they shake my hand, say that I did what was necessary, and wish me good health and success. I think I know why. Because I never aspired to power and always remained an ordinary modest scientist from the Academy,

and I know my worth as a scientist, not as a person that was once close to the official political upper stratum.

[Aliyeva] Well, thank you for the interview, I shall give you a firm handshake and wish you health and success.

AZERBAIJAN

Health Ministry Combats Diphtheria Cases

954K0330A Baku GUNAY in Russian 9 Nov 94 p 1

[KHABAR-SERVIS report under the "News" rubric]

[FBIS Translated Text] A document of the Azerbaijan Ministry of Health reports that from 1993 through the present day, over 600 cases of diphtheria have been registered among the inhabitants of 37 cities and rayons of the republic. Some 100 of these ended in death.

In this regard, the country's Ministry of Health has issued an order, upon recommendation of the World Health Organization, confirming a new schedule of inoculations. According to the document, thanks to efforts of the UNICEF Children's Fund and other international organizations, Azerbaijan is today supplied with sufficient quantities of vaccines to immunize children up to six years of age. In addition, it has been decided to conduct vaccinations within the older population age groups, since increased cases of diphtheria have been recorded among adults in recent years. The question is presently being decided as to whether or not to purchase additional supplies of medical serum from Turkey and Iran.

Russians' Apartments Illegally Appropriated

954K0330B Baku GUNAY in Russian 9 Nov 94 p 1

[KHABAR-SERVIS report under the "News" rubric]

[FBIS Translated Text] Idayat Orudzhev, Azerbaijan state counselor for ethnic policy, held a conference on the problem of illegal seizure of the apartments of Russian-speaking citizens.

Taking part in the conference were representatives of Azerbaijan's Russian community, of the Concord society, of the Commission on Interethnic Relations and Human Rights of the People's Assembly, the heads of law enforcement organs, and the leaders of executive authority of Baku's rayons.

Speaking at the conference, I. Orudzhev stated that the illegal seizure of apartments, particularly in Baku, has no ethnic basis in its motivation.

It was noted that the Azerbaijan leadership did manifest concern for the Russian-speaking populace of the republic and was striving to prevent encroachments on the rights of these people, regardless of the origin of such attempts.

Mikhail Zabelin, member of the People's Assembly and chairman of the Council of the Russian Community of Azerbaijan, noted that the cited incidents of seizure of the apartments of Russian-speaking citizens do not constitute a distinct category, and should be examined within the context of other transgressions.

State Bread Prices Increased

954K0330C Baku GUNAY in Russian 9 Nov 94 p 1

[KHABAR-SERVIS report: "Bread Prices Increase 2.5-Fold"]

[FBIS Translated Text] In accordance with a Cabinet of Ministers decree, effective 6 November the prices in Azerbaijan of bread baked in state ovens are increased 2.5-fold. Bread will be sold to the populace at the following prices:

Azerbaijan churek [unleavened bread], top quality—240 manats per kilogram;

Azerbaijan churek, Grade I—180 manats per 900 grams;

Azerbaijan churek, Grade II—170 manats per 900 grams;

Wheat bread (round loaf), top quality—200 manats per kilogram;

Wheat bread, Grade I—175 manats, Grade II—160 manats.

Ismail Ragimov, head of the trade section Bakkhlebtorg, stated that new price lists will be prominently posted in all bread stores of the capital, and will show the cost to the store to obtain the bread as well as its sale price to the populace.

Four Billion Manats for Pension Payments

954K0330D Baku GUNAY in Russian 9 Nov 94 p 2

[KHABAR-SERVIS report: "Four Billion Manats for Pensions and Other Compensation"]

[FBIS Translated Text] "The Azerbaijan National Bank has allocated 4 billion manats for payment of pensions, pension debts, and other compensation to employed and unemployed pensioners in Baku and Sumgait, in order to enable needy and socially vulnerable segments of the populace to quickly receive monetary funds simultaneously with the price increases for bread and electricity, and increased transportation costs." This was the statement of Elman Rustamov, acting chairman of the board of the National Bank. In Rustamov's words, these funds have been appropriated from bank reserves, but there is no certainty that every pensioner will receive his money if the Fund for Social Protection of the Populace does not possess sufficient finances in its account. "In all, with respect to the request submitted to the National Bank to effect payment for wages, pensions, allowances, and other compensation throughout the republic, about 50 billion manats are required as of today. Of this amount, 30-35 billion manats have been demanded in substance; the remainder is attributable to those enterprises and organizations of the republic that have no funds in their current accounts," E. Rustamov emphasized.

He also noted that a regular shipment of manats would be arriving in Azerbaijan in the coming days, and that this money will also be used primarily towards the payment of wages and pensions.

State Profit From Oil Price Increases

954K0330E Baku GUNAY in Russian 9 Nov 94 p 2

[KHABAR-SERVIS report: "State Budget Will Receive 59 Billion Manats From Increased Oil-Product Prices Prior to the End of the Year"]

[FBIS Translated Text] According to calculations of the Azerbaijan Ministry of Finance, profit to the state budget from increased prices of oil products will amount to 59 billion manats prior to the end of 1994. Republic Deputy Minister of Finance Mamed Mirzammedov issued a report in this regard.

As far as the increased bread prices are concerned, in M. Mirzammedov's words, this action will only result in a reduction of expenses since the cost of producing bread—430-450 manats—remains higher than its retail price, and the breadbaking industry is still government-subsidized.

In addition, the budget will also be replenished by virtue of increased income tax from the populace, since the minimum wage level has doubled.

Prices of remaining commodities are presently not regulated by the state. Therefore, the Ministry of Finance does not have any way of calculating profits due to their increased prices.

Cotton Exports Planned to China, Iran

954K0330F Baku GUNAY in Russian 9 Nov 94 p 2

[KHABAR-SERVIS report: "Azerbaijan Planning To Export 32,000 Tonnes of Cotton"]

[FBIS Translated Text] "Prior to the end of the current year, we are planning the export shipment of 32,000 tonnes of Azerbaijan cotton," stated Sadykh Salakhov, chief of the Cotton Processing Directorate of the Ministry of Agriculture. "We have a contract with the People's Republic of China for delivery of 10,000 tonnes of cotton, and all that remains for us to do is transport it, since we have already harvested and processed enough cotton to fulfill the terms of the contract."

In addition, S. Salakhov stated, an Iranian proposal is being examined for delivery to Iran of 5,000 tonnes of cotton. The Ministry of Agriculture directorate chief expressed confidence that similar proposals would be forthcoming from other countries prior to year's end. "It is just possible that harvesting of the crop will be halted temporarily due to deteriorating weather conditions, but we have no fears that the plan will not be fulfilled"—he stated in conclusion.

LATVIA

Struggle Against Organized Crime, Smuggling Detailed

954F0291A Moscow *OBSHCAYA GAZETA* in Russian
No 44 Nov 94 p 6

[Article by A. Binev and L. Sharov: "Stop! About Birds That Fly Low But Peck High. In Latvia They Are Called 'White Crows'. That Is Why They Were Banished"]

[FBIS Translated Text] Correspondent Eduard Govoru.hko wrote about the "bomb" which exploded in the MVD [Ministry of Internal Affairs] of Latvia, in No. 40 of the *OBSHCAYA GAZETA* in an article titled "In Latvia the People Are Being Robbed Worse Than In Russia." Upon closer examination the "bomb" proved to be a Bickford fuse. The real bomb is buried somewhere in Russia.

Sergey Chernenok (former head of the Department To Combat Organized Crime of the MVD, a lieutenant-colonel, and citizen of Latvia:

We left a month-and-a-half ago because we understood that they would not let us work. "They" do not need us. While we were tracking market racketeers, that is, cleaning out the worst kind of criminal filth, everyone was pleased—both in the police and in government. But when we went a little higher, there was the cry: "Stop! Not a step further!" We did not want to be witnesses to a marriage between base crime and a corrupt government.

Eighteen former police agents, who formed the backbone of the Ministry of Internal Affairs of Latvia, left police work within one hour and surrendered their weapons and documentation, having fallen prey to the reorganization which they themselves started. They were placed on indefinite leave and decided not to return.

One of them, Officer Sergey Kostyuk was "suspected" of contacts with Ivan Kharitonov (real name, Khariton), boss of a Latvian criminal organization, merely because they had the misfortune of growing up on the same street. The "white crows" hunted Kharitonov for a long time, gathering operational material on him, scrupulously collecting facts, and documents, and interrogating witnesses and victims. Finally prospects appeared for the trial of the "most crooked" person in Latvia. Suddenly a few days before the planned arrest, his people were summoned to the procurator's office, after which he disappeared. Sergey Kostyuk and his operations group were instructed to detain Khariton. Not having done so "suspicions" about his connections in the mafia would have grown into self-satisfied confidence among his superiors. Kharitonov was taken with great difficulty and effort. The police leadership, however, was not too happy with that outcome. Sergey Kostyuk got off the hook and was replaced on it by Ivan Kharitonov. Why were attempts made to entrap the operations agent, what did he do that so upset the authorities?

Sergey Kostyuk (a former Latvian SSR KGB agent involved in the fight against organized crime who is not a Latvian citizen, was born in Riga, where he went to school

and worked. He was "picked" by Sergey Chernenko after he found himself out of work and without any means of supporting himself):

We "latched on to" the upper echelon while investigating the Tovantsev case—racketeering, financial shenanigans, claims to the throne of king of Latvian bandits, and international criminal connections. Tovantsev promised to build "a city of happiness and sunshine" in Latvia—a village for diplomats, businessmen, and very important guests. For that purpose he received \$3 million from the Group of 24 (a kind of almost interest-free line of credit from the International Monetary Fund for the development of Latvia). As soon as we arrested Tovantsev for common extortion, it came to light that he obtained credit guarantees from the Riga Commercial Bank with which he later split that credit. Some of the money went to pay court costs of the bank itself, part came under control of the crime "summit," part was transferred to the United States for "investment," while the balance was used to restore and place into operation a loan sharking scheme. The diplomats and ambassadors were left without "sunshine and happiness." Big names began surfacing in Latvia and Russia. The case began accelerating. The International Monetary Fund, which granted this and a number of other credits, stood in amazement. The German farmers wanted very much to know where their marks were going, and the Swedish farmers—their krone.

Sergey Chernenok. There were some strings leading upward from Tovantsev. Kharitonov was also dreaming about western gifts from the Fund. As soon as we took Tovantsev for extortion (with weapons and a group of "round-heads") we were accused that "using our hands the mafia has taken down an honest businessman." The case was taken from us and transferred to the homicide department (???), to another investigator in the procurator's office. But they blundered here as well. The people there turned out to be of the decent type. The procurator general still freed Tovantsev, despite the fact that there was nothing to justify that. Perhaps it was because he testified against Kharitonov. There was a deal—one of the teams in the power structures gained the upper hand over another one. Kostyuk was transferred to a lower subdivision. He was accused of illegally entering the territory of Belarus in a case involving the kidnapping of a woman by racketeers, where he found that unfortunate person and demanded her release. As it turned out Belarus criminal legislation does not have an article on hostages. Therefore Latvian bandits drag their victims over there. Kostyuk did not agree with that. The victim paid dearly as did Kostyuk.

The crows, however, were still not satisfied. They again started circling and were aiming to peck him on top of the head.

Mikhail Glushkov (a major in the militia. He has handled investigations of the activity of criminal groups, as well as murders, and armed robberies. He was born in Riga, Latvia. He is Russian, not a citizen of Latvia and calls himself "an occupier"):

I am like that Georgian, who, when asked whether he liked gasoline, answered—I like to ride, but otherwise, no. I am just sick of that product.

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If one is to summarize the amount of oil that comes to the Baltic region from Russia, it may seem that we must be walking up to our knees in a mixture of fuel oil, and gasoline. According to the documents, however, a total of only 300 tonnes were imported from Russia in December of last year, which is no more than six tank cars of petroleum products. That is the way it is each month. It is clear that petroleum is simply being stolen from Russia. At the same time neither the Russian nor Latvian customs offices are getting the payments they are to be entitled under the law. That is why the pensions and unemployment benefits remain as inadequate as they are. We started an investigation and found that the scheme is ridiculously simple and effective: for instance, trains with oil move from the Russian Kaliningrad refinery through the Baltic region. When the oil is in Estonia or Latvia, a dummy consignee refuses to accept it, and a rerouting is made, which can later be changed yet again. As a result the ends are lost and no one pays excise taxes or customs duties. Russia loses the oil, pensioners lose their pension raises, while the contraband gasoline is handily used by German, Dutch, and Swedish motorists. Bribes and profits have gone into a number of Swiss and Cyprian accounts. While conducting an investigation of the affairs of one such intrepid firm in Latvia—Press Petroleum, in the course of a search we came across a "clandestine" bookkeeping system. They were so sure of themselves that they did not even deem it necessary to hide this pile of papers, which we attempted using in building the case.

The supplying plants were indicated there along with the consignees, and names of the bribe-taking elected officials in Latvia and Russia, the numbers of their accounts and the amounts involved in the illegal deals with them. The "clandestine" bookkeeper was not even too bashful about writing: so much for a bribe to such-and-such, deposited in such-and-such account or paid in cash—anywhere from \$200 to several thousand.

We had come across some interesting documents! Someone by the name of Kadyrov had conceived and worked everything out. He was hiding out in Sweden and we contacted the local police there through Interpol. Kadyrov was detained. In a Swedish prison he described the entire scheme and named participants in the smuggling operation. We received that material but did not have time to put it to use. It was time to be fired. I did not prepare a report on some case in quite the right way and was dismissed following Kostyuk.

The officers, using their own meager funds, travelled to St. Petersburg, Kaliningrad, Yaroslavl, Samara, and Vologda. Some colleagues travelled from there as well. Work was being done to identify those who were shipping the petroleum products and officials who assisted with the smuggling. In other words, we were doing all we could. Finally they got tired of repeating this whole story with all of its details in tens of our Russian city and oblast internal affairs administrations. They got tired of receiving visitors from there, who came with nothing, and departed scratching their heads with concern. Chernenok and Glushkov telephoned the Main Administration for Struggle Against Organized Crime at the Russian Federation MVD, and proposed formation of a joint group. They

were told that these were "local" matters of petty significance which will be handled by the oblast and city administrations. In other words their advice was to admit a Russian "fox" into their own Russian "chicken coop." Work ground to a halt. The "crows" could now name those who talked with the Russian Federation MVD.

Yuriy Vishnyakov (former operations officer with the Latvian SSR KGB, born in Latvia, has its citizenship, and after dissolution of the KGB, following almost a year of unemployment, was hired by Chernenko's department. Investigated cases associated with corruption and organized crime):

In the last several years we have grown accustomed to the order "Stop!" But it was strange to hear it from our Moscow colleagues! That meant things were the same there as well. Our letters were not answered, telephone calls avoided, and evasive answers provided.

We focused on our own police. Several highly-placed individuals in the economic administration (for the investigation of crimes of this nature), who, because of their rank had access to ministerial offices, and, on instructions from their accomplices on the staff, initiated cases against businessmen, arrested them, and compelled them to sign documents acknowledge a personal debt to those who ordered the action. They then collected their dividends and lived, we must say, quite well indeed.

We caught them red-handed in one such action. That made quite a lot of noise. The entire flock started flapping their wings. We were advised to be extremely careful when on the street or opening our car door. Chevers, a former minister of internal affairs, was showing an interest in the Tovantsev case and the acting officials became quite excited. Minister Kristovskis noted, for instance, that we were working poorly and should be reformed.

The case "curbing" Chechen groups was like pouring oil on the flames. It is true, the "crows" brought this case almost to the end. They were apparently allowed to enjoy that food. They eagerly seized the virtually closed case by the tail: Latvia in the face of its officials in the Ministry of Foreign Affairs and in the Seimas signed an agreement with a shady Chechen individual concerning the opening of a Chechen representation in Riga (!). That would have meant an expansion in Chechen interests in their country and their city. The agreement was voided, and operations began in the city to expose criminal Caucasian groups. The Chechen people departed. For how long? The crows changed nests.

Sergey Kostyuk: "They" all want to convince us that the mafia are criminals. But that is a deliberate lie. Organized crime comes from above—from the powers that be. In the past "they" hid behind the bastions of official power and punitive organs. We all worked for "them". Today "they" are interested in the growth and strengthening of regulated organized crime. "They" blend in, communicating only through their intermediaries. Imagine a pyramid. We were told to remove pieces out of its base, but we got tired of this useless work and decided to work on the summit.

In order to preserve their staff, highly valuable information, and simply not to die of starvation, 18 officers

established the Artsis information firm. They met the fate of many professionals here in Russia. The fate of those who found themselves not needed in society ruled by corruption and an arrogant nomenklatura. Today many FSK [Federal Counterintelligence Service] officers are put on indefinite leave. They are being "reorganized."

Department of Law: It remains for us to appeal to the leadership of the Main Service of the Ministry of Internal Affairs of the Russian Federation for Struggle Against Organized Crime with a reminder that an extensive file has been assembled in Latvia on the uncontrolled predatory export of petroleum products from Russia as well as on the individuals promoting this, with an indication of their accounts and amount of bribes. In each "Latvian," "Estonian," "Azerbaijan," and "Chechen" or other cases there is the "hand of Moscow" and its pocket as well. Either you are insufficiently professional (then our affairs are in bad shape indeed!) or you are flinching every morning to the

cry of "Stop!" It would be very good to receive a reply from the Russian Federation MVD. We assume that even the most "convincing" arguments for a far-sighted policy of our government in the name of the attachment of small Latvia to its big neighbor by all legal and illegal means, evidences only the criminal thinking of interested agencies and government officials. We feel convinced that when it is good for the thief and the bandit, it cannot be good for the state and its citizens. In that connection OBSH-CHAYA GAZETA is prepared to assume the dangerous burden of an intermediary in communication even if only in the initial stage) between competent organs of the Russian Federation and the group of retired officers of Latvian police.

In one way or another we intend to continue publishing articles on this topic and will be conducting our own investigation.

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